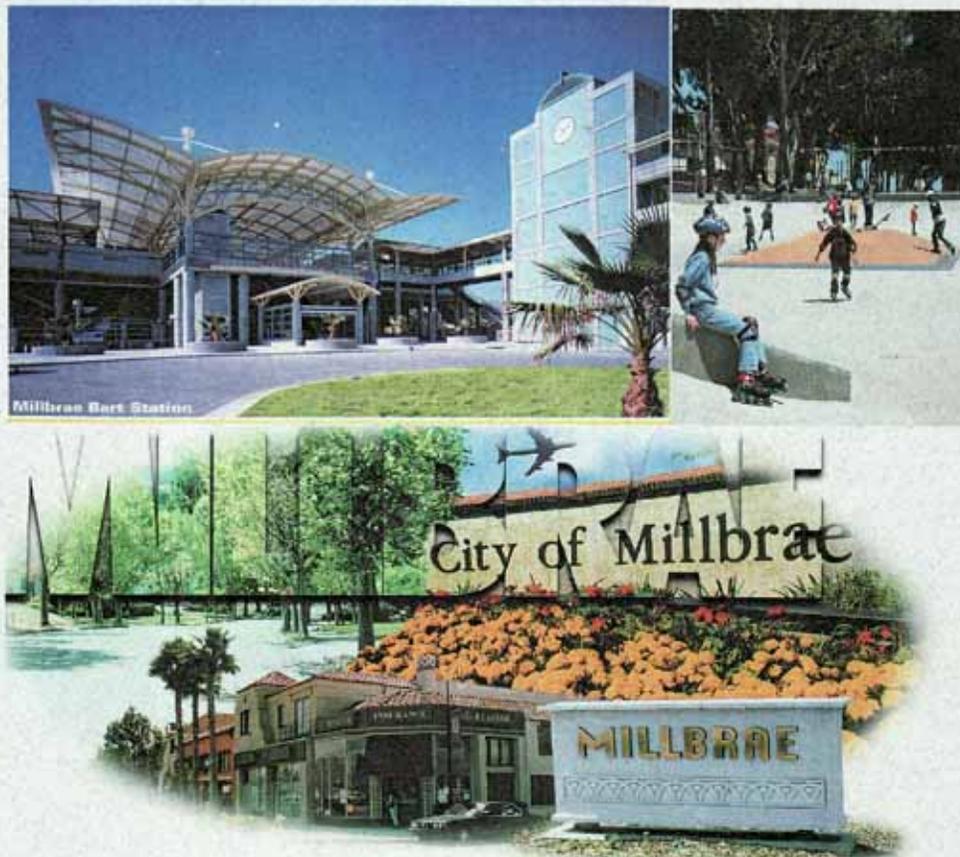




# City of Millbrae California

## Comprehensive Annual Financial Report



For the year ended  
June 30, 2007

**CITY OF MILLBRAE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**Prepared by**  
**FINANCE DIVISION,**  
**DEPARTMENT OF GENERAL SERVICES**

CITY OF MILLBRAE

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

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# City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

MARC HERSHMAN  
Mayor  
NADIA V. HOLOBER  
Vice Mayor  
LINDA T. LARSON  
Councilwoman  
GINA PAPAN  
Councilwoman  
ROBERT G. GOTTSCHALL  
Councilman  
MARY VELLA TRESELER  
Treasurer

October 5, 2007

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, 2007. 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, 2007, 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, 2007. The Independent Auditors' Report is presented as the first item under the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements. The Management Discussion and Analysis (MD&A) immediately follows the independent auditors report and provides a narrative

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

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.

The City has defined its reporting entity in accordance with generally accepted accounting principles (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.

The City provides a full range of services including police, and fire protection; construction and maintenance of highways, streets, parks and infrastructure; community development planning and inspections; and redevelopment. In addition, the City also manages recreational activities and cultural events; and provides water, and sewer utility services.

Included as a part of this letter are several attachments, which provide 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 Division and the auditing services of Maze & Associates.

I would like to express my appreciation to the entire staff of the Finance Division and all the other City departments, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Maze & Associates for their assistance and guidance. Finally, I would like to thank the City Council, the City Treasurer, the City Manager and Department Heads and their staff, for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,



Jeffrey W. Killian  
Assistant City Manager  
Director of General Services

## ATTACHMENT A

### GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Millbrae is located on the Peninsula, 15 miles south of San Francisco. The boundaries of this City extend roughly from the Bayshore Freeway on the east to Skyline Boulevard on the west. This distance is approximately 1.7 miles. The distance between the north and south City limit line is approximately 2.05 miles.

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

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

General Information: Population: 20,718; Incorporated: January 14, 1948; San Mateo County Seat Established: 1856; Registered Voters: 10,733 (11/07); Number of Households: 7,956 – Occupied; Elevation: 25 feet at low point; 800 feet at high point; Average Temperature: Low of 42 in January; high of 71 in late September; Land Area: 3.2 square miles; Population density (person per sq. miles): 6,473.

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

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

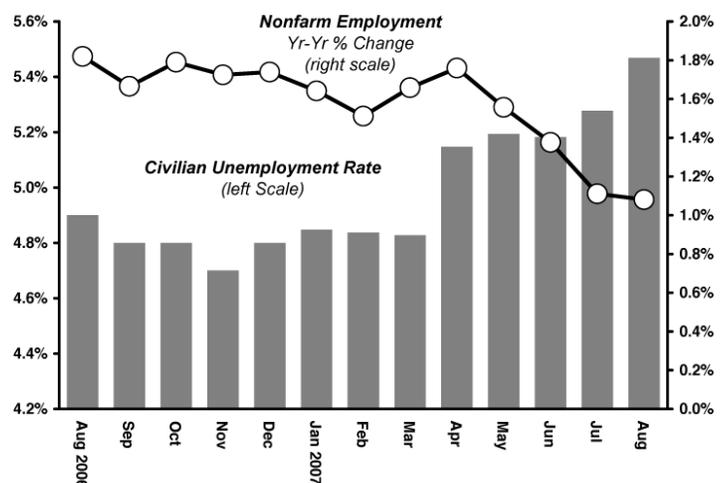
General Municipal Elections are held on the first Tuesday after the first Monday in November of odd-numbered years.

## State Economy

As summer came to a close, the effects of the on-going housing slump and recent financial turmoil were evident in a variety of economic data releases. In recent employment estimates, the construction and finance sectors were notable sources of weakness. Home building and home sales remained sluggish.

- Nonfarm payroll employment rose by 21,000 jobs in California in August. Over the 12 months from August 2006 to August 2007, California nonfarm payroll employment grew by a 163,300, or 1.1 percent, while nationally, nonfarm payrolls grew by 1.2 percent.
- California's largest job gain in August was in government—adding 12,100 jobs or over half of the state's total gain—with most of it in local education. However, government employment estimates, and education in particular, are prone to significant revisions, particularly during the back-to-school season. The initial government employment estimate for July showed a gain of 5,100 which was subsequently revised to a loss of 500.
- Among the other sectors, private educational and health services added 9,100 jobs; trade, transportation, and utilities, 4,000; information, 3,000; professional and business services, 2,700; leisure and hospitality, 2,400; and other services, 800. The small natural resources and mining sector held steady in August.
- Employment fell in three major sectors in August. Construction lost 6,600 jobs; manufacturing, 4,000; and financial activities, 2,500.
- Over the 12 months ending in August, employment rose by 51,600 in government; 49,600 in educational and health services; 42,600 in leisure and hospitality; 35,200 in professional and business services; 18,200 in trade, transportation, and utilities; and 8,300 in other services. Employment fell by 24,300 in construction, 7,300 in information, 6,900 in financial activities; and 3,700 in manufacturing.
- The state's unemployment rate increased by 0.2 percentage point to 5.5 percent in August. The national unemployment rate held steady at 4.6 percent.
- As in July, a rise in multi-family residential permitting in August overcame a drop in single-family building and yielded a small gain in total new home building. The volatile multi-family sector accelerated to a 51,000-unit pace. Conversely, permitting for single family residences slipped to 61,000 units from the 66,000-unit seasonally adjusted annual rate posted in July. Still, residential construction permitting during the first eight months of 2007 was off nearly 29 percent from the same months of 2006.

**California Labor Market Slows**



- A jump in hotel/motel construction in August led to an acceleration in nonresidential construction permitting. The value of nonresidential construction permits issued during the first eight months of 2007 was up 5.3 percent from the same period of 2006. The largest contributors to this gain were office construction, additions, and alterations.
- Sales of existing single-family homes

slowed for the sixth consecutive month in August, to 319,200 units on a seasonally adjusted annual rate basis. This was nearly 28 percent below the year-ago pace. August was thus the 23<sup>rd</sup> consecutive month of declining year-over-year home sales.

- The median price of existing single-family homes sold in August rose slightly from July, to \$588,030. This is just 2.0 percent higher than a year earlier.
- Revenues from the insurance, estate, alcoholic beverage, and tobacco taxes were \$384 million below the month's estimate of \$569 million. The lower insurance tax receipts of \$385 million in September were due to timing of estimated payments; August receipts had been \$367 million above forecast. The remaining revenues—pooled money interest income and “other” revenues—were \$25 million below the month's estimate of \$177 million.

(Source: State of California Department of Finance)

### San Mateo County Economy

#### **2007-08 Comparison of Actual and Forecast Agency General Fund Revenues**

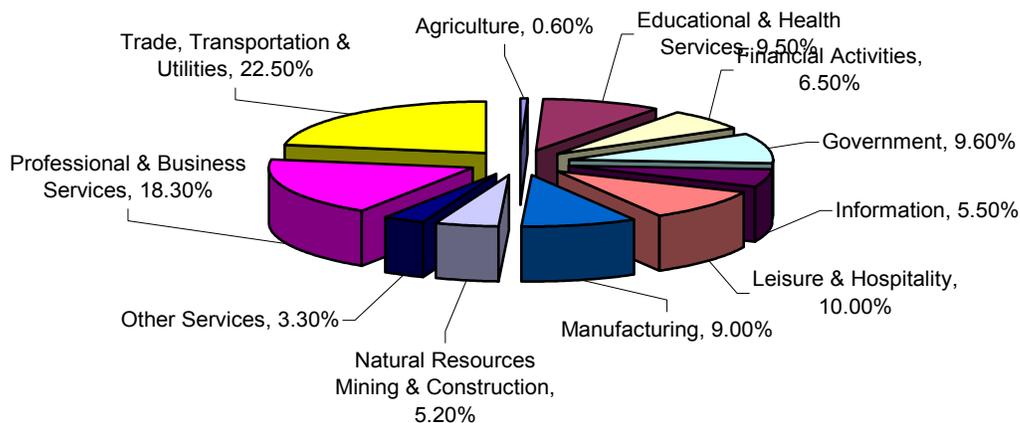
(Dollars in Millions)

Revenue Source	SEPTEMBER 2007					2007-08 YEAR-TO-DATE			
	Forecast	Actual	Change	Percent Change		Forecast	Actual	Change	Percent Change
Personal Income	\$5,568	\$5,579	\$11	0.2%		\$11,758	\$11,391	-\$367	-3.1%
Sales & Use Corporation	2,304	1,929	-375	-16.3%		7,013	6,737	-276	-3.9%
Insurance	2,344	2,308	-36	-1.5%		2,833	2,775	-58	-2.0%
Estate	530	145	-385	-72.6%		574	552	-22	-3.8%
	0	1	1	n/a		0	3	3	n/a
Pooled Money Interest	50	53	3	6.0%		153	123	-30	-19.6%
Alcoholic Beverages	28	28	0	0.0%		85	87	2	2.4%
Tobacco	11	11	0	0.0%		33	32	-1	-3.0%
Other	127	99	-28	-22.0%		219	191	-28	-12.8%
<b>Total</b>	<b>\$10,962</b>	<b>\$10,153</b>	<b>-\$809</b>	<b>-7.4%</b>		<b>\$22,668</b>	<b>\$21,891</b>	<b>-\$777</b>	<b>-3.4%</b>

This is an agency cash report and the data may differ from the Controller's report to the extent that cash received by agencies has not yet been reported to the Controller. Except for estate & "other" revenues, revenues are ranked in descending order of fiscal year magnitude. Totals may not add due to rounding. The forecast is from the 2007 May Revision updated for the 2007 Budget Act.

One of several counties significantly contributing to the economy of the San Francisco Bay Area, San Mateo's 531 square miles are part of a continuous urban area stretching from San Jose (Santa Clara County) in the south to the City/County of San Francisco in the north. California's Department of Finance estimates San Mateo's population at more than 724,000. By the year 2020, the county is projected to exceed 786,000 residents.

**San Mateo County  
Employment by Industry  
2006 Average**



**Labor Force:** San Mateo County’s labor force declined by 700 in 2005 to 363,800; since 2001, the labor force has cumulatively declined 7.4 percent or 29,000. San Mateo’s 2005 unemployment rate was down to 4.3 percent after peaking at 5.9 percent in 2003.

**Industry Employment:** After several years of decline, industry employment in San Mateo increased by 200 to total 328,000 in 2005. Since 2001, the county’s industry employment has cumulatively decreased by 11.5 percent (42,600 jobs). Despite the overall decline, three industries recorded employment gains during the years 2001–2005: educational and health services; leisure and hospitality; and other services. In educational and health services, both major sectors recorded job gains: health care and social assistance (up 800); and educational services (up 600). Leisure and hospitality growth was concentrated in amusement, gambling, and recreation (up 500). Other services gained 200 jobs. Other services totals generally include employment in establishments such as equipment and machinery repairing; religious activities, grant making, and advocacy; and dry cleaning and laundry services, among others.

City of Millbrae

The economic decline experienced during FY 2001 through FY 2004 has reversed and is in a slow to moderate recovery. The City’s previously largest revenue source, Transient Occupancy Tax (Hotel Tax) decreased by more than 50% has been growing since April of 2004. Although FY 07 Hotel Tax revenue increased 12.51%, future Hotel Tax growth is projected at the rate of 5% annually. The hotel/travel industry has the greatest impact on the local economy and the City’s revenue base. Sales Tax had declined in previous years, but growth in FY 07 was 5.63% and future growth is now projected at the rate of 3% annually.

Property Tax increases are stronger with a five to 10 year perspective. General Fund Property Tax increased 7.24% in Fiscal Year 2005, 11% in Fiscal Year 2006, and 7.2% in Fiscal Year 2007 and is project to increase 3% annually during the next two years. Property values will continue to hold or

increase in value for the near future. In addition, the City of Millbrae now receives \$1.104 million annually in fire assessment revenue. However, this revenue is schedule to sunset in the 2008-09 Fiscal Year. The City has positioned itself to accommodate large new commercial development surrounding the Millbrae BART Station with the approval of the Station Area Specific Plan. New high-end condominium development is to be completed in December 2007 in the Specific Plan area.

## ATTACHMENT B

### MAJOR INITIATIVES FOR THE YEAR

**Street Repairs and Paving:** with Federal and State grant funding, the City repaved heavily used portions of Hillcrest and Millbrae Avenues. Repaving along Hillcrest took place between Magnolia and Ashton Avenues, while work on Millbrae Avenue will occur between El Camino Real and Magnolia Avenue.

**Red Light Camera Enforcement Program:** the City installed red light cameras in one of two of the City's busiest and high-risk intersections (Millbrae Ave. and Rollins Rd.). Studies had shown a large number of red light violations at the intersections of Millbrae Avenue–Rollins Road and El Camino Real–Millbrae Avenue. These intersections also experienced a number of collisions as well as increased traffic volume. Safety hazards at these intersections meant traffic enforcement could not be accomplished with the use of police/motor officers. The red light camera program was implemented to increase public awareness and enhance traffic safety through enforcement 24 hours per day.

The initial results have been very promising. Before the red light camera was installed, studies revealed 1,023 red light events at Millbrae Avenue–Rollins Road in just four hours. After installing a red light camera at this intersection in September 2006 (and after the mandatory 30-day warning period), the number of red light events dropped dramatically to 801 in three-and-a-half months. The Police Department experienced a reduced call load to accidents at this intersection and observed that the installation of the red light cameras significantly increased driver awareness of, and conformance to, traffic laws.

Cameras are scheduled to be installed at the intersection of El Camino Real/Millbrae Avenue, and the southbound Hwy 101 off-ramp to Millbrae Avenue. Construction will begin pending final approval from Caltrans.

**On-line Recreation Program Internet Registration:** the Millbrae Recreation Division went online allowing Community members to register online for classes, programs, trips, and special events offered by the Millbrae Recreation Department. The public is now able to search activities, review program details, and find out how many openings remain in the programs. There are more than 100 activities offered in our fall activity guide, which are now viewable online. Included are more than 15 new programs—such as our Children's Technology Workshop courses for youth, and Pilates and Tae Bo Fitness for adults.

**In Car Patrol Vehicle Video System:** Millbrae began rolling out nine police cars equipped with new technology that both helps our police officers better perform their job and limits the City's liability. Unlike the old vehicles that used VHS style video cameras, the new vehicles feature wireless digital video cameras linked to durable laptop computers designed for rugged use. The new systems are smaller, easier to use, and integrated into the police equipment, assisting the police officers in ways the older systems could not. Imagine a police officer driving along when he witnesses an event that needs his attention. When he turns on his police lights, the video camera automatically begins recording and actually captures the five-second period prior to activation. Or, he can manually turn on the camera without activating the police lights, again with taping starting five seconds beforehand. This feature enables the officer to tape split-second events that the old system would have missed. If the officer eventually needs to get out of his car to address the situation, the new camera range is wide enough that he does not need to take the time to manually adjust the lens, resulting in a quicker response time. If he is out of the camera's range, he can activate the new wireless microphone on his belt to record conversations. If he is interacting with someone who lacks identification, he can use his laptop to retrieve a photo of the individual and

other identifying information from the Department of Motor Vehicles, County Jail, and other agencies using the same system as ours (RIMMS). When the officer is done, he can prepare a police report on the laptop while in his vehicle instead of returning to the police station to type the report. This saves time, keeps the officer in the field, and provides the ability to respond to other events, and then continue the report writing later. At the end of his shift, the officer pulls into the police station driveway, passing the antenna that automatically downloads the video and audio files onto a server where they are stored for one year. If necessary, the files can be easily retrieved and a DVD can be presented in court or provided to the District Attorney's office to serve as evidence or clear officers of alleged misconduct.

**Wastewater Treatment Plant Renovation:** The City's wastewater collection system and treatment plan is extensively being renovated, which started in 2006. New, up-to-date treatment technology that is more energy efficient and capable of meeting increasingly stringent Federal, State, and local clean water regulations will replace deteriorated and obsolete plant equipment and components. The total project budget is \$35 million. The City is applying for low-interest California state loans and other low-cost financing to pay for the project.

**Sustainable Millbrae Program:** The City is taking its civic responsibility seriously by doing its part to foster a healthier and greener community. In the fall of 2007, the City Council approved policies and ordinances presented by City staff on implementing a variety of "green" and health related programs to enhance our current activities. This presentation was a first step in developing programs that will help to improve the environment and quality of life in Millbrae. The City's Environmental Policies Committee presented the Guiding Principles and programs to help build a healthy community and environment. Health-related program areas include exercise, safety, and nutrition. The environmental programs include pollution prevention, recycling and waste prevention, Earth Day, water conservation, energy conservation, and air quality. Health and the environment are interrelated, reducing indoor and outdoor air pollution, exercising by biking and walking, and gardening and eating right to improve both personal health and the health of the earth.

The Guiding Principles of this effort include:

- Improve the Health of Residents and Municipal Employees
- Conserve and Preserve the Environment
- Preserve Property Values
- Save Money
- Enhance the Quality of Life & Community Partnerships

These principles will lead to programs that benefit the community, businesses, and municipal employees. The City will continue our tradition of paving the way and serving as a role model for others.

**Sales of Vehicles on State Highways – SB 279:** the City of Millbrae was instrumental in creating State legislation introduced and sponsored by Senator Yee. Prior to the enactment of SB 279, the City was prevented from enforcing laws preventing the activity of selling cars on El Camino Real. The activity was not only a nuisance for business activity and parking availability, it also created serious safety issues with potential customers stepping into the line of fast-moving oncoming traffic. The issues faced by Millbrae were not unique to Millbrae, and will assist in the enforcement of various safety and nuisance issues throughout the State. The bill was approved by the State legislature and signed into law in the Summer of 2007.

## ATTACHMENT C

### FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that 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 that 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.

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 and the debt service fund are included in the annual appropriated budget. Project-length budgets are prepared for the capital projects funds. 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 as part of the following year's budget.

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

**Cash Management Policies and Practices:** During the year, temporarily idle cash was invested in certificates of deposit, the Local Agency Investment Fund demand deposits, and the San Mateo County Investment Pool.

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, 2007, 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.

This Investment Policy is reviewed annually to ensure its consistency with respect to the overall objectives of safety, liquidity and yield, and its relevance to current laws and financial trends. Proposed amendments to the Policy shall be prepared by Finance staff and reviewed and approved by 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.

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

## 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, 2006. 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 twelve (12) consecutive years. The Finance management staff is of the opinion that this CAFR continues to meet the Certificate of Achievement Program requirements and will be submitted for consideration to the GFOA for the Certificate of Achievement for Excellence in Financial Reporting.

The City has also received a similar Certificate of Award from the California Society of Municipal Finance Officers for the last 11 years, including Fiscal Year 2006. These awards are the highest awards given for government accounting and financial reporting achievements in the State of California.

**CITY OF MILLBRAE**

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**DIRECTORY OF CITY OFFICIALS**

June 30, 2007

**MAYOR**

Marc Hershman

**MEMBERS OF THE CITY COUNCIL**

Nadia V. Holober  
Robert G. Gottschalk  
Linda T. Larson  
Gina Papan

**ELECTED OFFICER**

Mary Treseler  
*City Treasurer*

**COUNCIL APPOINTED OFFICERS**

Ralph L. Jaeck  
*City Manager*

Joan Cassman  
*City Attorney*

**AGENCY AND DEPARTMENT DIRECTORS**

Jeffrey W. Killian  
*Assistant City Manager*

Deborah Konkol  
*City Clerk*

Dennis Haag  
*Fire Chief*

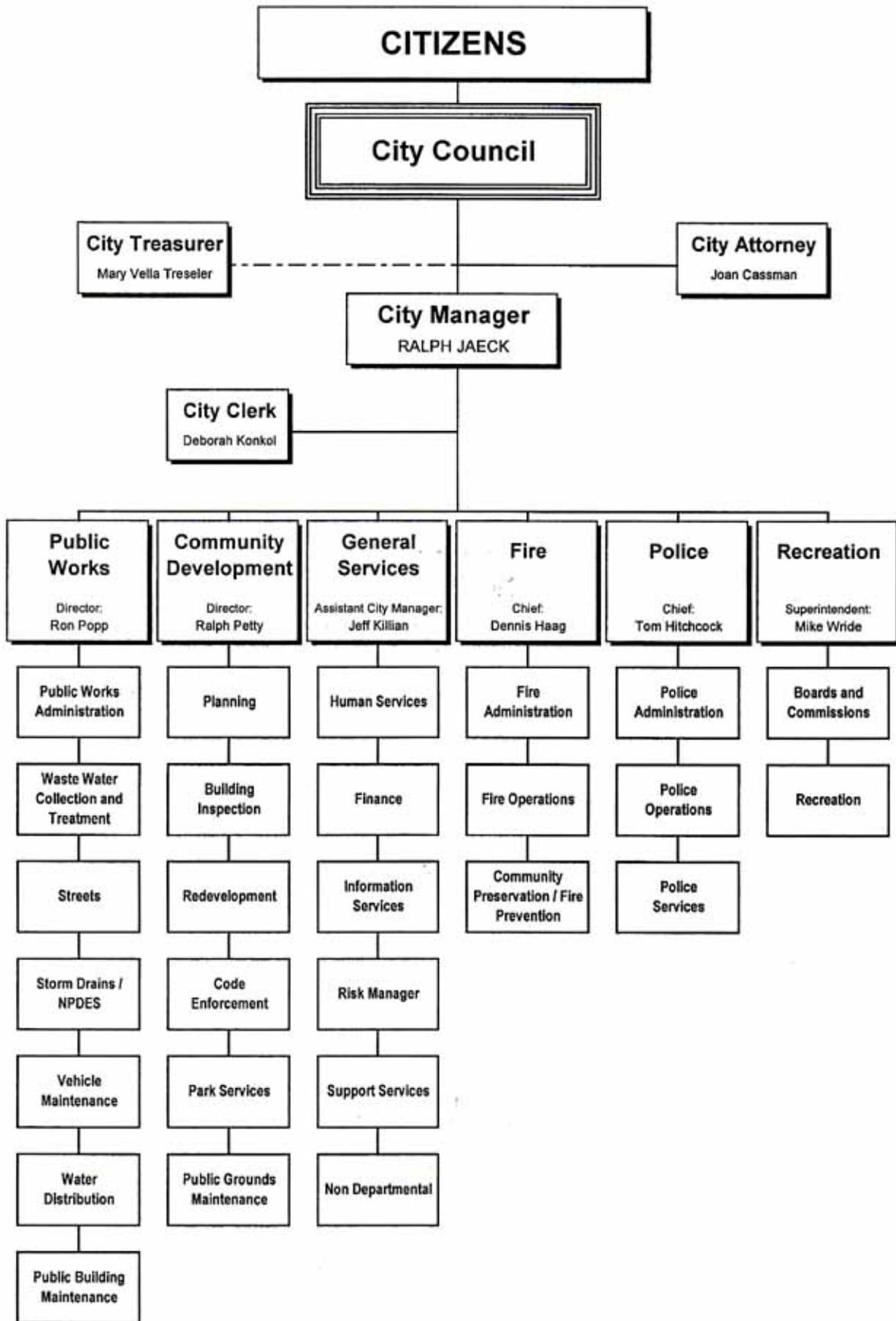
Tom Hitchcock  
*Police Chief*

Ralph Petty  
*Community Development and Parks Director*

Ron Popp  
*Public Works Director*

Mike Wride  
*Recreation Superintendent*

# City of Millbrae Organization Chart





# City of Millbrae

## OUR VALUES

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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 all 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 alternatives 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*

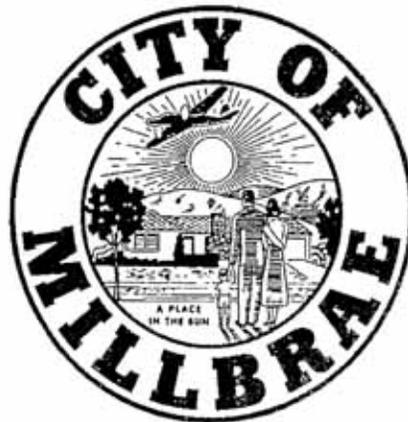
## **OUR PURPOSES**

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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, 2006

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



President

Executive Director

**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, 2007, 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 audits.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and generally accepted 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 at June 30, 2007 and the results of its operations and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with the generally accepted government auditing standards, we have also issued reports dated October 5, 2007 on our consideration of the City of Millbrae internal control structure and on its compliance with laws and regulations.

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

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

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

*Maze & Associates*

October 5, 2007

## 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, 2007. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's Financial Statements, the related notes and our letter of transmittal that precedes this section.

### FINANCIAL HIGHLIGHTS

- The City's cumulative Fund Balances grew by 23.4% (\$4.4 million) to \$23 million compared to \$18.6 million for the prior Fiscal Year. This growth is primarily attributed to: (1) the 11.42% improvement in Property Taxes as a result of double digit increases in property valuation; (2) the 12.5% increase of Transient Occupancy Tax (Hotel Tax); (3) the 95.0% increase in Fines and Forfeitures (new Red Light Cameras) and (4) the 5.63% increase in Sales Tax.
- The City's total assets exceed its total liabilities by \$72 million as of June 30, 2007, compared to \$30 million at June 30, 2006. This increase is due primarily to the infrastructure asset adjustment of \$37.2 million required by the Government Accounting Standards Board Statement 34 (GASB 34), reporting requirements. The City recorded the historical costs and depreciation of the infrastructure assets on June 30, 2007 to comply with the requirements of GASB 34.

### 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)**

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

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.

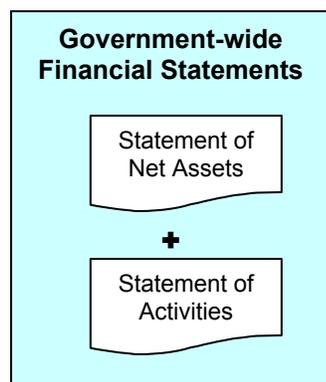
The Fund Financial Statements report the City’s operations in detail and the focus is primarily on the short-term activities of the City’s General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term 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 Expenditures 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 Expenditures are recorded, regardless of when the Cash transactions occur
Measurement Focus	All Economic Resources	Current Financial Resources	All Economic Resources
Type of Asset and Liability Information	All Assets, Capital, and Short and Long-term Liabilities	Current Assets and Liabilities due during the year or soon thereafter	All Assets, Capital, and Short and Long-term Liabilities

### Government-wide Financial Statements

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



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

The **Statement of Activities** presents information on the changes to net assets that occurred during the reporting period. All changes to net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenditures 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 expenditures 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, Culture and Recreation, 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 three categories: Governmental Funds; Proprietary Funds; and Fiduciary Funds.

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

*Governmental Funds*

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

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

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

Expenditures, and Changes in Fund Balance, provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

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

### *Proprietary Funds*

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

#### *Enterprise Funds*

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

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

#### *Internal Service Funds*

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

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

### **Notes to the Basic Financial Statements**

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

### **Required Supplemental Information**

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

### **Other Information**

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

## GOVERNMENT – WIDE FINANCIAL ANALYSIS

### Net Assets June 30, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>ASSETS</b>						
Current and other Assets	37,375,759	32,511,079	5,258,381	5,369,373	42,634,140	37,880,452
Capital Assets	64,032,813	24,015,650	16,424,484	18,595,930	80,457,297	42,611,580
<b>TOTAL ASSETS</b>	<b>101,408,572</b>	<b>56,526,729</b>	<b>21,682,865</b>	<b>23,965,303</b>	<b>123,091,437</b>	<b>80,492,032</b>
<b>LIABILITIES</b>						
Long-Term Liabilities Outstanding	37,463,940	36,664,830	6,046,265	6,254,418	43,510,205	42,919,248
Other Liabilities	6,299,599	5,485,201	1,261,698	1,627,486	7,561,297	7,112,687
<b>TOTAL LIABILITIES</b>	<b>43,763,539</b>	<b>42,150,031</b>	<b>7,307,963</b>	<b>7,881,904</b>	<b>51,071,502</b>	<b>50,031,935</b>
<b>NET ASSETS</b>						
Investment in Capital Assets net of related Debt	49,627,971	8,693,759	10,378,219	16,675,966	60,006,190	25,369,725
Restricted Net Assets:					0	0
Capital Projects	90,340	984,730			90,340	984,730
Debt Service	3,797,193	2,951,604			3,797,193	2,951,604
Redevelopment	9,559,325	8,891,956			9,559,325	8,891,956
Special Revenue	5,254,108	3,157,516			5,254,108	3,157,516
Unrestricted	(10,683,904)	(10,302,867)	3,996,683	(592,567)	(6,687,221)	(10,895,434)
<b>TOTAL NET ASSETS</b>	<b>57,645,033</b>	<b>14,376,698</b>	<b>14,374,902</b>	<b>16,083,399</b>	<b>72,019,935</b>	<b>30,460,097</b>

### Analysis of Net Assets

Net Assets may serve as a useful indicator of a Government's financial position. As shown in the table above, the City's assets exceeded liabilities by \$72 million as of June 30, 2007 compared to \$30 million at June 30, 2006. This increase is due primarily to the infrastructure asset adjustment of \$37.2 million required by the Government Accounting Standards Board Statement 34 (GASB 34), reporting requirements. The City recorded the historical costs and depreciation of the infrastructure assets on June 30, 2007 to comply with the requirements of GASB 34.

The largest portion of the City's net assets reflects its \$60 million (83%) investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt used to acquire those assets. This percentage is substantially the same as in the prior year. 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 its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

Restricted Net Assets of \$19 million (26%) represents resources that are subject to external restrictions as to how they may be utilized. The Unrestricted Net Assets deficit of \$10.7 million

in Governmental Activities is primarily attributed to long-term debt, thereby not requiring liquidation of current assets. At the end of the Fiscal Year 2006/2007, the City had positive balances in all three categories of Net Assets for the Governmental Activities and Business-type Activities.

### Change in Net Assets

June 30, 2007

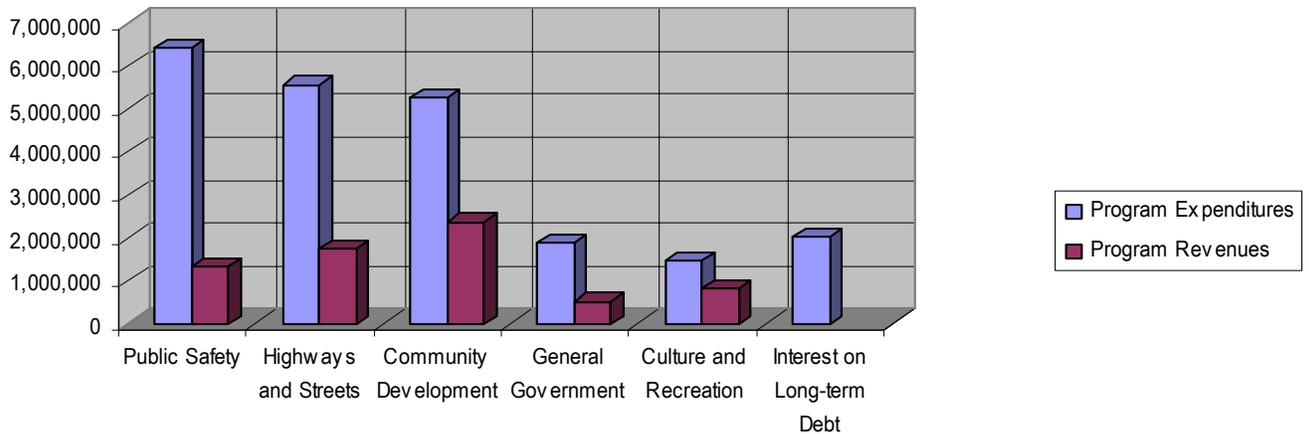
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>REVENUES</b>						
Program Revenue:						
Charges for Service	4,972,328	2,727,271			4,972,328	2,727,271
Operating Contributions and Grants	1,822,162	2,756,982			1,822,162	2,756,982
Municipal Water System			4,395,658	3,852,907	4,395,658	3,852,907
Waste Water Treatment			4,985,085	4,530,967	4,985,085	4,530,967
Storm Drain			226,770	220,445	226,770	220,445
General Revenue:						
Property Taxes	6,993,227	9,018,720			6,993,227	9,018,720
Incremental Property Tax	3,751,214	624,721			3,751,214	624,721
Sales Tax	2,374,919	2,248,317			2,374,919	2,248,317
Transient Occupancy Tax	2,929,434	2,603,820			2,929,434	2,603,820
Other Taxes	1,363,757	1,695,514			1,363,757	1,695,514
Motor Vehicle In-Lieu	129,643	128,267			129,643	128,267
Investment Income	1,237,376	495,832	222,116	196,813	1,459,492	692,645
Miscellaneous	406,721	229,921	286,896	319,829	693,617	549,750
Contribution			350,083		350,083	0
Loss on Disposal of Capital Assets	13,286		4,966		18,252	0
Transfers	42,757	(50,000)	(42,757)	50,000	0	0
<b>TOTAL REVENUES</b>	<b>26,036,824</b>	<b>22,479,365</b>	<b>10,428,817</b>	<b>9,170,961</b>	<b>36,465,641</b>	<b>31,650,326</b>
<b>EXPENDITURES</b>						
General Government	1,885,380	1,762,874			1,885,380	1,762,874
Public Safety	6,395,896	8,812,931			6,395,896	8,812,931
Highway and Streets	5,561,148	1,471,951			5,561,148	1,471,951
Recreation & Culture	1,462,893	2,139,492			1,462,893	2,139,492
Community Development	5,265,130	3,032,777			5,265,130	3,032,777
Interest on Long-Term Debt	2,034,490	2,922,699			2,034,490	2,922,699
Municipal Water System			3,836,203	3,485,307	3,836,203	3,485,307
Waste Water Treatment			5,174,894	4,453,699	5,174,894	4,453,699
Storm Drain			435,917	365,307	435,917	365,307
<b>TOTAL EXPENDITURES</b>	<b>22,604,937</b>	<b>20,142,724</b>	<b>9,447,014</b>	<b>8,304,313</b>	<b>32,051,951</b>	<b>28,447,037</b>
<b>Change in Net Assets</b>	<b>3,431,887</b>	<b>2,336,641</b>	<b>981,803</b>	<b>866,648</b>	<b>4,413,690</b>	<b>3,203,289</b>
Net Assets at Beginning of Year	14,314,324	12,040,057	16,083,399	15,216,751	30,397,723	27,256,808
GASB 34 Implementation	39,898,822		(2,690,300)		37,208,522	0
<b>NET ASSETS AT YEAR END</b>	<b>57,645,033</b>	<b>14,376,698</b>	<b>14,374,902</b>	<b>16,083,399</b>	<b>72,019,935</b>	<b>30,460,097</b>

**Analysis of the Changes in Net Assets**

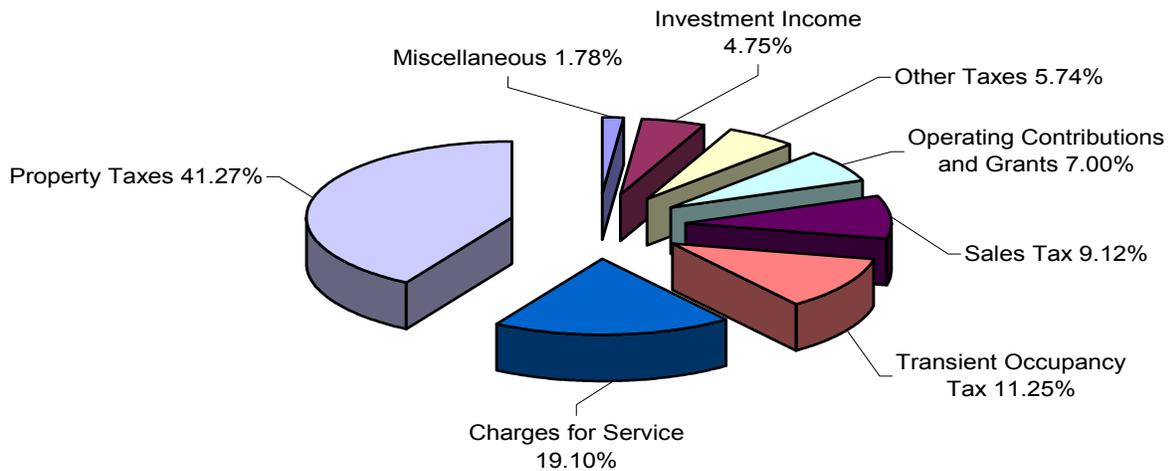
As shown in the table above the City’s overall Change in Net Assets (without the GASB 34 implementation amounts) was \$4.41 million for fiscal year 2006/2007, compared to \$3.20 million balance last fiscal year. The Governmental Activities component of \$3.43 million represents a significant improvement (47%) from the prior year’s balance of \$2.34 million. The City’s Business-type Activities component of \$0.98 million is a thirteen percent (13%) increase from the prior year’s balance of \$0.86 million.

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

**Governmental Activities  
Program Revenues and Expenditures**



**Governmental Activities  
Revenues By Source**

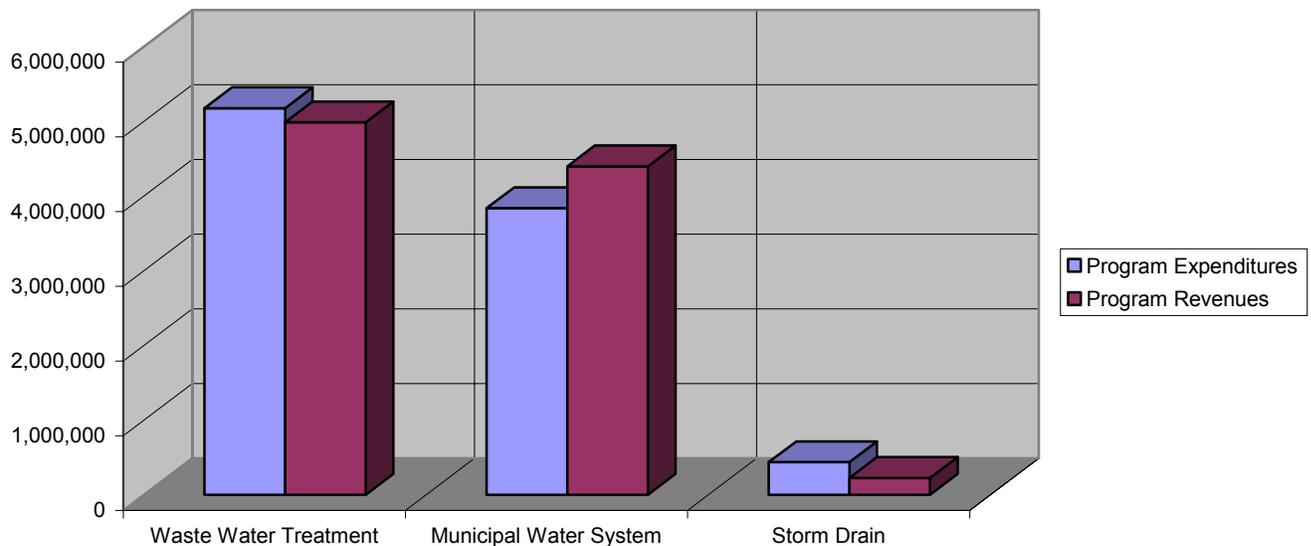


Governmental Activities increased the City's total Net Assets by \$1,095,246 to \$3.43 million during fiscal year 2006/2007, compared to \$2.34 million during fiscal year 2005/2006. Key factors contributing to this year's increase are as follows:

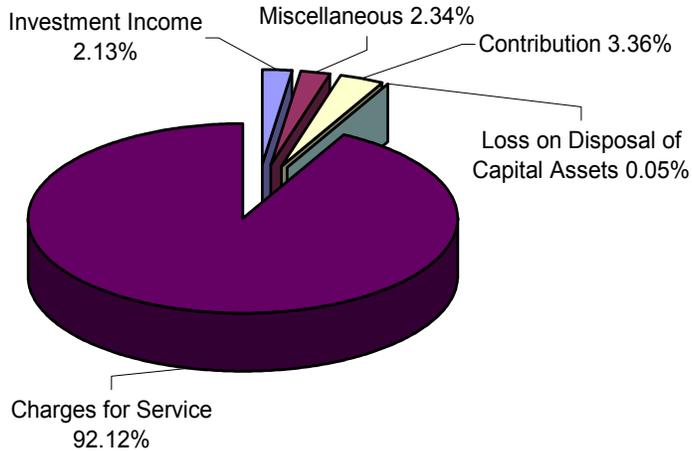
- Overall, Governmental Activities revenue increased by approximately \$3.56 million, and expenditures increased by \$2.50 million. This resulted in a net asset increase of \$1.05 million (without the GASB 34 implementation amounts) for Governmental Activities at the end of fiscal year 2006/2007.
- Property Tax revenue increased \$1.1 million (11.42%) during this fiscal year as a result of increases in property valuations.
- Transient Occupancy Tax increased \$326 thousand (12.51%) and Sales Tax increased \$127 thousand (5.63%) during this fiscal year
- Licenses and Permits increased \$570 thousand (120.0%) and Fines and Forfeitures increased \$341 thousand (95.3%).

The charts shown previously illustrate the City's Governmental Revenues by Source and Expenditures by Program. As shown, Public Safety has the largest program expenditures at twenty-eight percent (28%), followed by Highways and Streets with twenty-five percent (25%) percent, Community Development at twenty-three percent (23%), General Government at eight percent (8%) and Culture and Recreation with seven percent (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 funds (41.27%) followed by other taxes (26.11%) in fiscal year 2006/2007.

### Business-type Activities Program Revenues and Expenditures



## Business-Type Revenues By Source



Business-type Activities increased the City's total Net Assets (without the GASB 34 implementation amounts) to \$982 thousand during fiscal year 2006/2007, compared to \$867 thousand during fiscal year 2005/2006. Overall revenues increase \$1.25 million (13.7%) and expenditure increase \$1.14 million (13.8%). This resulted in a net asset increase of \$115 thousand for Business-type Activities at the year of fiscal year 2006/2007.

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

At the end of fiscal year 2006/2007 the City's Governmental Funds reported a combined ending Fund Balance of \$23 million, an increase of \$4.4 million (23.4%) over the prior end year balance of \$18.6 million.

### **Comparative Analysis of Changes in Governmental Fund Balances**

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds at fiscal year end 2007 and the previous fiscal year end, 2006.

#### **Governmental Funds Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances June 30, 2007**

	<b>Revenues and Other Financing Sources</b>		<b>Expenditures and Other Financing Uses</b>		<b>Net Change in Fund Balances</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
General Fund	16,515,846	14,955,448	14,524,329	13,803,671	1,991,517	1,151,777
Millbrae Redevelopment Agency	5,037,415	3,827,790	3,645,466	3,541,379	1,391,949	286,411
Millbrae Station Area	2,208,209	79,841	464,032	531,935	1,744,177	(452,094)
US 101 Millbrae Ave	4,212		346,000		(341,788)	0
Other Governmental Funds	4,564,288	5,008,920	4,985,254	3,825,736	(420,966)	1,183,184
<b>TOTAL</b>	<b>28,329,970</b>	<b>23,871,999</b>	<b>23,965,081</b>	<b>21,702,721</b>	<b>4,364,889</b>	<b>2,169,278</b>

### **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 and other financing sources, and the program expenditures and other financing uses, and the net change in fund balance at fiscal year end 2007 and the previous fiscal year end, 2006.

**General Fund Revenue and Expenditure Comparison**  
**June 30, 2007**

	<b>General Fund</b>		<b>Dollar Variance</b>	<b>Percentage Variance</b>
	<b>2007</b>	<b>2006</b>		
<b>REVENUES</b>				
Property Taxes	6,321,695	5,894,748	426,947	7.24%
Sales Tax	2,374,919	2,248,317	126,602	5.63%
Transient Occupancy Tax	2,929,434	2,603,820	325,614	12.51%
Other Taxes	1,363,757	1,311,689	52,068	3.97%
Licenses and Permits	533,920	435,583	98,337	22.58%
Charges for Service	1,014,576	701,274	313,302	44.68%
Fines and Forfeitures	455,340	209,764	245,576	117.07%
Use of Money and Property	612,499	982,606	(370,107)	-37.67%
Grants and Intergovernmental	229,927	294,917	(64,990)	-22.04%
Miscellaneous	190,733	84,656	106,077	125.30%
Issuance of Long-Term Debt	489,046	188,074	300,972	160.03%
<b>TOTAL REVENUES</b>	<b>16,515,846</b>	<b>14,955,448</b>	<b>1,560,398</b>	<b>10.43%</b>
<b>EXPENDITURES</b>				
General Government	1,731,518	1,475,679	255,839	17.34%
Public Safety	8,627,661	8,290,749	336,912	4.06%
Highway and Streets	1,158,679	950,648	208,031	21.88%
Culture and Recreation	21,961	913,209	(891,248)	-97.60%
Community Development	1,737,144	543,199	1,193,945	219.80%
Capital Outlay	132,172	221,659	(89,487)	-40.37%
Transfers out	946,639	799,317	147,322	18.43%
Debt Service:				
Principal	139,928	607,350	(467,422)	-76.96%
Interest and Fiscal Charges	28,627	1,861	26,766	1438.26%
<b>TOTAL EXPENDITURES</b>	<b>14,524,329</b>	<b>13,803,671</b>	<b>720,658</b>	<b>5.22%</b>
<b>NET CHANGE / FUND BALANCE</b>	<b>1,991,517</b>	<b>1,151,777</b>	<b>839,740</b>	<b>72.91%</b>
<b>BEGINNING FUND BALANCE</b>	<b>2,704,742</b>	<b>1,552,965</b>		
<b>ENDING FUND BALANCE</b>	<b>4,696,259</b>	<b>2,704,742</b>		

As shown on the table above the General and had a ending Fund Balance of \$4.7 million, an increase of \$1.99 Million (73.6%) over the prior year end balance of \$2.7 million. This increase represents a \$1.3 Million (8.53%) growth in revenue from property tax, business tax, other local taxes, and charges for services, coupled with only a moderate increase of \$720 thousand (5.22%) in expenditures.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

**General Fund Expenditure  
Fund Balance Comparison**

	<b>2007</b>	<b>2006</b>
Expenditures	14,524,329	13,803,671
Total Fund Balance	4,696,259	2,704,742
<b>PERCENTAGE</b>	<b>32.33%</b>	<b>19.59%</b>
Expenditures	14,524,329	13,803,671
Unreserved Fund Balance		1,399,190
Unreserved / Designated Fund Balance	2,982,238	
<b>PERCENTAGE</b>	<b>20.53%</b>	<b>10.14%</b>

At June 30, 2007, the General Fund had a reserve balance of \$1.71 million for encumbrances and advances to other funds, an increase of \$408 thousand (31.3%) over the prior year reserve balance of \$1.30 million.

**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, expenditures and results of operations (excluding GASB 34 adjustments) for the fiscal year 2006/2007.

**PROPRIETARY FUNDS**

	<b>Operating Revenues</b>	<b>Operating Expenditures</b>	<b>Operating Income (Loss)</b>	<b>Non-Operating Revenues (Expenditures)</b>	<b>Capital Contribution</b>	<b>Interfund Transfers</b>	<b>Change in Net Assets</b>
Municipal Water System	4,407,697	3,824,330	583,367	88,956		(17,676)	654,647
Waste Water Treatment	5,247,208	4,781,504	465,704	(235,958)	350,083	(24,250)	555,579
Storm Drains	239,504	422,597	(183,093)	290		(831)	(183,634)
Internal Service Funds	1,678,875	1,754,465	(75,590)	40,931		176,965	142,306
<b>TOTALS</b>	<b>11,573,284</b>	<b>10,782,896</b>	<b>790,388</b>	<b>(105,781)</b>	<b>350,083</b>	<b>134,208</b>	<b>1,168,898</b>

At the end of fiscal year 2006/2007, the total net assets in the Municipal Water System were \$9.5 million, the Waste Water Treatment had \$4.7 million, and Storm Drain had \$309 thousand.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its Governmental and Business-type Activities as of June 30, 2007, increased by \$37.8 million (88.82%) to \$80.5 Million (net of accumulated depreciation). As previous noted, this increase is due primarily to the infrastructure asset adjustment of \$37.2 million required by the Government Accounting Standards Board Statement 34 (GASB 34), reporting requirements. The City recorded the historical costs and depreciation of the infrastructure assets on June 30, 2007 to comply with the requirements of GASB 34

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

### CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION June 30, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	14,885,484	1,967,619	0	0	14,885,484	1,967,619
Land Improvements	329,175	326,479	117,410	129,041	446,585	455,520
Building and Improvements	17,301,422	17,250,404	3,111,498	3,221,326	20,412,920	20,471,730
Furniture, Fixtures and Equipment	2,194,997	2,023,568	8,419,012	7,613,313	10,614,009	9,636,881
Automobiles and Trucks	457,282	290,183	7,767	10,611	465,049	300,794
Infrastructure	28,864,453	2,157,397	4,768,797	7,621,639	33,633,250	9,779,036
<b>TOTAL</b>	<b>64,032,813</b>	<b>24,015,650</b>	<b>16,424,484</b>	<b>18,595,930</b>	<b>80,457,297</b>	<b>42,611,580</b>

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

As of June 30, 2007 the City had \$37,463,940 of outstanding long-term debt related to Governmental Activities and \$6,046,265 of long-term debt related to Business-Type Activities, for a total of \$43,510,205. During the year \$828,933 of long-term debt was retired, while \$1,418,213 was added, resulting in a net increase of \$590,957 (1.38%). The City's debt obligations are in the form of Certificates of Participation (COP), General Obligation Bonds (GOB), Tax Allocation Bonds, Loans, and Capital Lease Obligations.

The following table summarizes the City's outstanding long-term debt at June 30, 2007.

<b>LONG-TERM LIABILITIES</b>						
<b>June 30, 2007</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
1999 Certificates of Participation: Police Expansion	3,400,000	3,520,000			3,400,000	3,520,000
2001 General Obligation Bonds: Public Library	10,475,000	10,520,000			10,475,000	10,520,000
2001 Natural Disaster Loan	800,000	1,000,000			800,000	1,000,000
2004 Pension Obligation Bonds	13,688,604	12,904,106			13,688,604	12,904,106
2005 Tax Allocation Bonds: Redevelopment	8,465,000	8,540,000			8,465,000	8,540,000
2005 Bank Loan: Cogeneration Project			6,046,265	6,254,418	6,046,265	6,254,418
2006 Lease Purchase: Phone System	194,019	180,724			194,019	180,724
2007 Lease Purchase: Fire Apparatus	335,823				335,823	0
2007 Lease Purchase: Police Vehicles	105,494				105,494	0
<b>TOTAL</b>	<b>37,463,940</b>	<b>36,664,830</b>	<b>6,046,265</b>	<b>6,254,418</b>	<b>43,510,205</b>	<b>42,919,248</b>

#### Summary of new Long-term Liabilities

- On January 12, 2007 the City entered into a Capital Lease agreement in the amount of \$430,463 to purchase fire apparatus. Payments for principle and interest at the rate of 4.97% are due annually until January 12, 2011.
- On February 22, 2007 the City entered into a Capital Lease agreement in the amount of \$144,669 to purchase six (6) 2007 police vehicles. Payments for principle and interest at the rate of 5.60% are due annually until February 27, 2010.
- On June 12, 2007 the City authorized a State Revolving Fund loan application with the State Water Resources Control Board. Proceeds for the Loan will be used to finance the Water Pollution Control Plant Renovation Project which is estimated to cost approximately \$32 million. As of June 30, 2007, no proceeds had been drawn down.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's financial status and budget outlook continue to improve, yet the City faces significant fiscal challenges. These include:

- Labor, health care and pension costs continue to increase
- Fire Assessment Revenue of \$1,104 million received annually is schedule to sunset in fiscal year 2008/2009
- State Budget actions are certain to affect the City

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

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. We hope that the proceeding information has provided you with 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 Division  
Attn: LaRae Brown  
621 Magnolia Avenue  
Millbrae, CA 94030

**CITY OF MILLBRAE**

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

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

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

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

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

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

CITY OF MILLBRAE  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 3)	\$19,381,041	\$3,309,359	\$22,690,400
Cash with fiscal agent (Note 3)	4,244,261	710,015	4,954,276
Receivables:			
Taxes	736,318		736,318
Accounts - net	370,378	2,257,970	2,628,348
Accrued interest	240,248		240,248
Due from other governmental agencies	570,855	26,666	597,521
Loans (Note 5)	683,470		683,470
Internal balances (Note 4D)	1,045,629	(1,045,629)	
Prepaid items	481,330		481,330
Prepaid pension obligations (Note 7C)	9,622,229		9,622,229
Capital assets (Note 6)			
Land	14,885,484		14,885,484
Depreciable capital assets, net	49,147,329	16,424,484	65,571,813
<b>Total Assets</b>	<b>101,408,572</b>	<b>21,682,865</b>	<b>123,091,437</b>
<b>LIABILITIES</b>			
Accounts payable and accrued payroll	1,113,585	732,642	1,846,227
Interest payable	456,052	48,103	504,155
Deposits	2,009,911	235,859	2,245,770
Unearned revenue	217,045		217,045
Compensated absences (Note 1G)			
Due within one year	87,327	102,923	190,250
Due in more than one year	1,895,301	142,171	2,037,472
Noncurrent portion of accrued self-insurance (Note 10)	520,378		520,378
Long-term debt (Note 7)			
Portion due within one year	1,183,614	219,916	1,403,530
Portion due in more than one year	36,280,326	5,826,349	42,106,675
<b>Total Liabilities</b>	<b>43,763,539</b>	<b>7,307,963</b>	<b>51,071,502</b>
<b>NET ASSETS (Note 8)</b>			
Invested in capital assets, net of related debt	49,627,971	10,378,219	60,006,190
Restricted for:			
Capital projects	90,340		90,340
Debt service	3,797,193		3,797,193
Redevelopment	9,559,325		9,559,325
Special revenue programs	5,254,108		5,254,108
<b>Total Restricted Net Assets</b>	<b>18,700,966</b>		<b>18,700,966</b>
Unrestricted	(10,683,904)	3,996,683	(6,687,221)
<b>Total Net Assets</b>	<b>\$57,645,033</b>	<b>\$14,374,902</b>	<b>\$72,019,935</b>

See accompanying notes to financial statements

CITY OF MILLBRAE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

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	
<b>Governmental Activities:</b>						
General government	\$1,885,380	\$320,523	\$200,000	(\$1,364,857)		(\$1,364,857)
Public safety	6,395,896	1,074,475	257,824	(5,063,597)		(5,063,597)
Highways and streets	5,561,148	750,503	993,057	(3,817,588)		(3,817,588)
Culture and recreation	1,462,893	786,180	48,767	(627,946)		(627,946)
Community development	5,265,130	2,040,647	322,514	(2,901,969)		(2,901,969)
Interest on long-term debt	2,034,490			(2,034,490)		(2,034,490)
<b>Total Governmental Activities</b>	<b>22,604,937</b>	<b>4,972,328</b>	<b>1,822,162</b>	<b>(15,810,447)</b>		<b>(15,810,447)</b>
<b>Business-type Activities:</b>						
Municipal water system	3,836,203	4,395,658			\$559,455	559,455
Municipal waste water treatment facility	5,174,894	4,985,085			(189,809)	(189,809)
Storm drain	435,917	226,770			(209,147)	(209,147)
<b>Total Business-type Activities</b>	<b>9,447,014</b>	<b>9,607,513</b>			<b>160,499</b>	<b>160,499</b>
<b>Total</b>	<b>\$32,051,951</b>	<b>\$14,579,841</b>	<b>\$1,822,162</b>	<b>(15,810,447)</b>	<b>160,499</b>	<b>(15,649,948)</b>
<b>General revenues:</b>						
<b>Taxes:</b>						
Property taxes				6,993,227		6,993,227
Incremental property tax				3,751,214		3,751,214
Sales taxes				2,374,919		2,374,919
Transient occupancy tax				2,929,434		2,929,434
Other taxes				1,363,757		1,363,757
Motor vehicle in-lieu, unrestricted				129,643		129,643
Investment earnings				1,237,376	222,116	1,459,492
Miscellaneous				406,721	286,896	693,617
Contribution					350,083	350,083
Loss on disposal of capital assets				13,286	4,966	18,252
Transfers (Note 4C)				42,757	(42,757)	
<b>Total general revenues and transfers</b>				<b>19,242,334</b>	<b>821,304</b>	<b>20,063,638</b>
Change in Net Assets				3,431,887	981,803	4,413,690
Net Assets-Beginning				14,314,324	16,083,399	30,397,723
GASB 34 Implementation Adjustments (Note 6)				39,898,822	(2,690,300)	37,208,522
Net Assets-Ending				<b>\$57,645,033</b>	<b>\$14,374,902</b>	<b>\$72,019,935</b>

See accompanying notes to financial statements

<b>FUND FINANCIAL STATEMENTS</b>
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GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types.

<b>MAJOR GOVERNMENTAL FUNDS</b>
---------------------------------

The funds described below were determined to be Major Funds by the City in fiscal 2007. Individual non-major funds may be found in the Supplemental section.

**GENERAL FUND**

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

**REDEVELOPMENT AGENCY SPECIAL REVENUE FUND**

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

**MILLBRAE STATION AREA DEVELOPER FEE – OPERATING SPECIAL REVENUE FUND**

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

**MILLBRAE STATION AREA DEVELOPER FEE – CAPITAL PROJECTS FUND** - To account for the fees collected from the developers for the capital activities of the Millbrae Station Area development project.

**REDEVELOPMENT AGENCY DEBT SERVICE FUND**

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

**REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND**

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

**U.S. 101/MILLBRAE AVE CAPITAL PROJECTS FUND**

To account for grant moneys received for the US 101/Millbrae Avenue interchanged improvement project.

CITY OF MILLBRAE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2007

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Millbrae Station Area Developer Fee - Capital Projects Fund
<b>ASSETS</b>				
Cash and investments (Note 3)	\$1,237,083	\$2,610,477	\$2,165,528	
Cash with fiscal agent (Note 3)	441,103		1,229,407	\$1,464,623
Receivables:				
Taxes	694,558			
Accounts - net	35,163		900	
Accrued interest	135,427			
Due from other funds (Note 4A)	1,914,168			
Due from other governmental agencies	150,785			
Loans (Note 5)		683,470		
Advances to other funds (Note 4B)	1,040,100			
Prepaid items	477,330			
<b>Total Assets</b>	<b>\$6,125,717</b>	<b>\$3,293,947</b>	<b>\$3,395,835</b>	<b>\$1,464,623</b>
<b>LIABILITIES</b>				
Accounts payable and accrued payroll	\$760,820		\$3,159	
Due to other funds (Note 4A)				\$656,055
Deposits	451,593	\$543	939,538	456,245
Deferred revenue				
Unearned revenue	217,045			
Advances from other funds (Note 4B)				
<b>Total Liabilities</b>	<b>1,429,458</b>	<b>543</b>	<b>942,697</b>	<b>1,112,300</b>
<b>FUND BALANCES</b>				
Fund balance (Note 8)				
Reserved for:				
Encumbrances	196,591	7,810	25,718	345,425
Debt service				
Capital outlay		3,269,252		
Advances, prepaids and loans receivable	1,517,430	683,470		
Unreserved:				
Designated				
General Fund prior year operating budget carryovers	475,860			
Special Revenue Funds prior year operating budget carryovers			2,427,420	
Capital Projects Funds prior year operating budget carryovers				
Fire apparatus	430,465			
PERS health insurance	1,532,462			
Operating contingency	543,451			
Undesignated, Reported in:				
Special Revenue Funds		(667,128)		
Capital Projects Funds				6,898
<b>Total Fund Balances</b>	<b>4,696,259</b>	<b>3,293,404</b>	<b>2,453,138</b>	<b>352,323</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,125,717</b>	<b>\$3,293,947</b>	<b>\$3,395,835</b>	<b>\$1,464,623</b>

See accompanying notes to financial statements

Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	U.S. 101/ Millbrae Ave Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$3,850,752	\$4,876,973	\$105,078	\$3,465,738	\$18,311,629
552,262			556,866	4,244,261
			41,760	736,318
104,821			310,068	346,131
	1,402,434			240,248
		402,031	18,039	3,316,602
				570,855
				683,470
				1,040,100
			4,000	481,330
<u>\$4,507,835</u>	<u>\$6,279,407</u>	<u>\$507,109</u>	<u>\$4,396,471</u>	<u>\$29,970,944</u>
	\$13,486		\$158,126	\$935,591
		\$402,031	638,904	1,696,990
		100,000	61,992	2,009,911
		402,031	19,004	421,035
\$1,690,100				217,045
				1,690,100
<u>1,690,100</u>	<u>13,486</u>	<u>904,062</u>	<u>878,026</u>	<u>6,970,672</u>
	31,810	133	219,513	827,000
2,817,735			979,458	3,797,193
	6,136,953		102,331	9,508,536
			4,000	2,204,900
				475,860
			113,350	2,540,770
	97,158			97,158
				430,465
				1,532,462
				543,451
			2,169,266	1,502,138
		(397,086)	(69,473)	(459,661)
<u>2,817,735</u>	<u>6,265,921</u>	<u>(396,953)</u>	<u>3,518,445</u>	<u>23,000,272</u>
<u>\$4,507,835</u>	<u>\$6,279,407</u>	<u>\$507,109</u>	<u>\$4,396,471</u>	<u>\$29,970,944</u>

CITY OF MILLBRAE  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2007

Total fund balances reported on the Governmental Funds Balance Sheet \$23,000,272

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 63,131,261

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

Cash and investments	1,069,412
Accounts receivable	24,247
Internal balances	76,017
Capital assets	901,552
Accounts payable	(177,994)
Compensated absences	(18,442)
Accrued self-insurance	(520,378)

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. 421,035

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	9,622,229
Long-term debt	(37,463,940)
Compensated absences	(1,964,186)
Interest payable	(456,052)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$57,645,033

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, 2007

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
<b>REVENUES</b>				
Property tax	\$6,321,695	\$750,244		\$3,000,970
Sales tax	2,374,919			
Transient occupancy tax	2,929,434			
Other taxes	1,363,757			
Licenses and permits	533,920		\$510,575	
Charges for services	830,650		1,268,742	
Fines and forfeitures	455,340		245,377	
Use of money and property	612,499	102,840	62,025	205,909
Grants and intergovernmental	229,927			
Miscellaneous	190,733	15,813	25,406	
<b>Total Revenues</b>	<b>15,842,874</b>	<b>868,897</b>	<b>2,112,125</b>	<b>3,206,879</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,731,518			
Public safety	8,627,661			
Highways and streets	1,158,679			
Culture and recreation	21,961			
Community development	1,737,144	98,009	42,716	
Payments to property tax pass throughs				1,406,546
Capital outlay	132,172			
Debt service:				
Principal	139,928			75,000
Interest and fiscal charges	28,627			468,287
<b>Total Expenditures</b>	<b>13,577,690</b>	<b>98,009</b>	<b>42,716</b>	<b>1,949,833</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,265,184</b>	<b>770,888</b>	<b>2,069,409</b>	<b>1,257,046</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt (Note 7)	489,046			
Transfers in (Note 4C)	183,926			115,428
Transfers (out) (Note 4C)	(946,639)	(115,428)	(71,234)	(647,894)
<b>Total Other Financing Sources (Uses)</b>	<b>(273,667)</b>	<b>(115,428)</b>	<b>(71,234)</b>	<b>(532,466)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,991,517</b>	<b>655,460</b>	<b>1,998,175</b>	<b>724,580</b>
<b>BEGINNING FUND BALANCES</b>	<b>2,704,742</b>	<b>2,637,944</b>	<b>454,963</b>	<b>2,093,155</b>
<b>ENDING FUND BALANCES</b>	<b>\$4,696,259</b>	<b>\$3,293,404</b>	<b>\$2,453,138</b>	<b>\$2,817,735</b>

See accompanying notes to financial statements

Millbrae Station Area Developer Fee - Capital Capital Projects Fund	Redevelopment Agency Capital Projects Fund	U.S. 101/ Millbrae Ave Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
			\$671,532	\$10,744,441
				2,374,919
				2,929,434
			402,649	1,766,406
				1,044,495
\$23,417			835,122	2,957,931
				700,717
72,667	\$198,317	\$4,212	303,834	1,562,303
			1,041,980	1,271,907
			174,786	406,738
<u>96,084</u>	<u>198,317</u>	<u>4,212</u>	<u>3,429,903</u>	<u>25,759,291</u>
				1,731,518
			130,749	8,758,410
			645,128	1,803,807
350,082	694,980		1,284,159	1,306,120
			44,168	2,967,099
				1,406,546
	46,398	346,000	1,632,454	2,157,024
			165,000	379,928
			741,874	1,238,788
<u>350,082</u>	<u>741,378</u>	<u>346,000</u>	<u>4,643,532</u>	<u>21,749,240</u>
<u>(253,998)</u>	<u>(543,061)</u>	<u>(341,788)</u>	<u>(1,213,629)</u>	<u>4,010,051</u>
				489,046
	647,894		1,134,385	2,081,633
	(92,924)		(341,722)	(2,215,841)
	<u>554,970</u>		<u>792,663</u>	<u>354,838</u>
(253,998)	11,909	(341,788)	(420,966)	4,364,889
<u>606,321</u>	<u>6,254,012</u>	<u>(55,165)</u>	<u>3,939,411</u>	<u>18,635,383</u>
<u>\$352,323</u>	<u>\$6,265,921</u>	<u>(\$396,953)</u>	<u>\$3,518,445</u>	<u>\$23,000,272</u>

CITY OF MILLBRAE  
Reconciliation of the  
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
with the Statement of Activities  
JUNE 30, 2007  
FOR THE YEAR ENDED JUNE 30, 2007

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 \$4,364,889

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 2,476,600

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$177,722 which has already been allocated to serviced funds) (2,408,455)

Retirement of capital assets is deducted from the fund balance (151,376)

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.

Proceeds from the issuance of debt are deducted from fund balance (489,046)

Repayment and forgiveness of debt principal are added back to fund balance 579,928

Interest expense are deducted from fund balance (11,204)

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 31,227

Deferred revenue (6,155)

Compensated absences 65,056

Unpaid interest added to long-term debt (784,498)

Amortization of prepaid pension obligation (453,402)

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 218,323

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$3,431,887

See accompanying notes to financial statements

<b>MAJOR PROPRIETARY FUNDS</b>
--------------------------------

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 2007.

**MUNICIPAL WATER SYSTEM FUND**

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

**MUNICIPAL WASTE WATER TREATMENT FACILITY FUND**

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

**STORM DRAIN FUND**

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

CITY OF MILLBRAE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2007

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain		
<b>ASSETS</b>					
Current Assets:					
Cash and investments (Note 3)	\$1,606,580	\$1,702,779		\$3,309,359	\$1,069,412
Cash with fiscal agent (Note 3)		710,015		710,015	
Receivables:					
Accounts - net	1,098,557	1,159,413		2,257,970	24,247
Due from other funds (Note 4A)	266,700			266,700	
Due from other governmental agencies		18,456	\$8,210	26,666	
<b>Total Current Assets</b>	<b>2,971,837</b>	<b>3,590,663</b>	<b>8,210</b>	<b>6,570,710</b>	<b>1,093,659</b>
Total Noncurrent Assets:					
Advances to other funds (Note 4B)	650,000			650,000	
Depreciable capital assets, net (Note 6)	6,311,276	9,565,689	547,519	16,424,484	901,552
<b>Total Assets</b>	<b>9,933,113</b>	<b>13,156,352</b>	<b>555,729</b>	<b>23,645,194</b>	<b>1,995,211</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	215,559	515,079	2,004	732,642	177,994
Interest payable		48,103		48,103	
Deposits	210,361	13,962	11,536	235,859	
Due to other funds (Note 4A)		1,669,134	217,178	1,886,312	
Compensated absences (Note 1G)	17,463	85,460		102,923	
Long-term debt due within one year (Note 7)		219,916		219,916	33,267
<b>Total Current Liabilities</b>	<b>443,383</b>	<b>2,551,654</b>	<b>230,718</b>	<b>3,225,755</b>	<b>211,261</b>
Noncurrent Liabilities:					
Compensated absences (Note 1G)	27,131	98,978	16,062	142,171	18,442
Accrued self-insurance (Note 11)					520,378
Long-term debt (Note 7)					
Due in more than one year		5,826,349		5,826,349	72,227
<b>Total Liabilities</b>	<b>470,514</b>	<b>8,476,981</b>	<b>246,780</b>	<b>9,194,275</b>	<b>822,308</b>
<b>NET ASSETS (Note 8)</b>					
Invested in capital assets, net of related debt	6,311,276	3,519,424	547,519	10,378,219	901,552
Unrestricted	3,151,323	1,159,947	(238,570)	4,072,700	271,351
<b>Total Net Assets</b>	<b>\$9,462,599</b>	<b>\$4,679,371</b>	<b>\$308,949</b>	<b>14,450,919</b>	<b>\$1,172,903</b>
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.				(76,017)	
Net assets business-type activities				<u>\$14,374,902</u>	

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, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
<b>OPERATING REVENUES</b>					
Water sales	\$4,395,658			\$4,395,658	
Sewer service fees		\$4,985,085		4,985,085	
Equipment rental					\$607,105
Interdepartmental charges					1,048,720
Storm drain fees			\$226,770	226,770	
Miscellaneous	12,039	262,123	12,734	286,896	23,050
<b>Total Operating Revenues</b>	<u>4,407,697</u>	<u>5,247,208</u>	<u>239,504</u>	<u>9,894,409</u>	<u>1,678,875</u>
<b>OPERATING EXPENSES</b>					
Personnel services	1,161,483	2,564,023	195,466	3,920,972	474,526
Contractual services	455,879	994,454	166,724	1,617,057	195,231
Materials, supplies and other services	373,444	260,811	16,052	650,307	220,438
Water purchases	1,570,917			1,570,917	
Depreciation	262,607	754,864	44,355	1,061,826	177,722
Utilities		207,352		207,352	14,436
Insurance premiums and claims					672,112
<b>Total Operating Expenses</b>	<u>3,824,330</u>	<u>4,781,504</u>	<u>422,597</u>	<u>9,028,431</u>	<u>1,754,465</u>
<b>Operating Income (Loss)</b>	<u>583,367</u>	<u>465,704</u>	<u>(183,093)</u>	<u>865,978</u>	<u>(75,590)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Gain (loss) on disposal of capital assets	109	4,857		4,966	13,286
Interest revenue	88,847	132,979	290	222,116	27,645
Interest expense		(373,794)		(373,794)	
<b>Total Nonoperating Revenues (Expenses)</b>	<u>88,956</u>	<u>(235,958)</u>	<u>290</u>	<u>(146,712)</u>	<u>40,931</u>
<b>Income (Loss) Before Transfers</b>	<u>672,323</u>	<u>229,746</u>	<u>(182,803)</u>	<u>719,266</u>	<u>(34,659)</u>
Contributed capital		350,083		350,083	
Transfers in (Note 4C)					178,827
Transfers (out) (Note 4C)	(17,676)	(24,250)	(831)	(42,757)	(1,862)
<b>Net transfers</b>	<u>(17,676)</u>	<u>325,833</u>	<u>(831)</u>	<u>307,326</u>	<u>176,965</u>
<b>Change in net assets</b>	<u>654,647</u>	<u>555,579</u>	<u>(183,634)</u>	<u>1,026,592</u>	<u>142,306</u>
<b>BEGINNING NET ASSETS</b>	<u>8,118,897</u>	<u>6,956,108</u>	<u>1,039,622</u>		<u>1,030,597</u>
<b>GASB 34 Implementation Adjustments (Note 6)</b>	<u>689,055</u>	<u>(2,832,316)</u>	<u>(547,039)</u>		
<b>ENDING NET ASSETS</b>	<u>\$9,462,599</u>	<u>\$4,679,371</u>	<u>\$308,949</u>		<u>\$1,172,903</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				<u>(44,789)</u>	
<b>Change in net assets of business-type activities</b>				<u>\$981,803</u>	

See accompanying notes to financial statements

CITY OF MILLBRAE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$4,133,183	\$5,047,447	\$250,004	\$9,430,634	\$1,654,628
Payments to suppliers	(2,449,808)	(1,783,117)	(182,303)	(4,415,228)	(266,974)
Payments to employees	(1,168,667)	(2,561,404)	(188,713)	(3,918,784)	(471,660)
Claims paid					(779,183)
Cash Flows from Operating Activities	<u>514,708</u>	<u>702,926</u>	<u>(121,012)</u>	<u>1,096,622</u>	<u>136,811</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Interfund payments	(12,525)			(12,525)	
Interfund receipts		93,418	121,553	214,971	
Transfers in					178,827
Transfers (out)	(17,676)	(24,250)	(831)	(42,757)	(1,862)
Cash Flows from Noncapital Financing Activities	<u>(30,201)</u>	<u>69,168</u>	<u>120,722</u>	<u>159,689</u>	<u>176,965</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(166,617)	(1,769,029)		(1,935,646)	(366,008)
Proceeds from issuance of debt					144,669
Principal payments on capital debt		(209,830)		(209,830)	(39,175)
Interest paid		(373,778)		(373,778)	
Cash Flows from Capital and Related Financing Activities	<u>(166,617)</u>	<u>(2,352,637)</u>		<u>(2,519,254)</u>	<u>(260,514)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	88,847	132,979	290	222,116	27,645
Cash Flows from Investing Activities	<u>88,847</u>	<u>132,979</u>	<u>290</u>	<u>222,116</u>	<u>27,645</u>
Net Cash Flows	406,737	(1,447,564)		(1,040,827)	80,907
Cash and investments at beginning of period	1,199,843	3,150,343		4,350,186	988,505
Cash and investments at end of period	<u>\$1,606,580</u>	<u>\$1,702,779</u>		<u>\$3,309,359</u>	<u>\$1,069,412</u>
<b>Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:</b>					
Operating income (loss)	\$583,367	\$465,704	(\$183,093)	\$865,978	(\$75,590)
Adjustments to reconcile operating income (Loss) to cash flows from operating activities:					
Depreciation	262,607	754,864	44,355	1,061,826	177,722
Change in assets and liabilities:					
Receivables, net	(281,339)	(196,213)		(477,552)	(24,247)
Due from other governmental agencies			10,497	10,497	
Accounts payable and other accrued expenses	(49,568)	(320,500)	473	(369,595)	163,131
Compensated absences	(7,184)	2,619	6,753	2,188	(104,205)
Refundable deposits	6,825	(3,548)	3	3,280	
Cash Flows from Operating Activities	<u>\$514,708</u>	<u>\$702,926</u>	<u>(\$121,012)</u>	<u>\$1,096,622</u>	<u>\$136,811</u>
<b>NONCASH TRANSACTION</b>					
GASB 34 Implementation Adjustments	<u>\$689,055</u>	<u>(\$2,832,316)</u>	<u>(\$547,039)</u>		
Retirement of capital assets	<u>\$109</u>	<u>(\$4,992)</u>			
Contributed capital		<u>\$350,083</u>			
Retirement of discounts		<u>(\$1,677)</u>			

See accompanying notes to financial statements

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. *Reporting Entity***

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

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

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

**B. *Basis of Presentation***

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

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

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**C. Major Funds**

GASB Statement 34 defines major funds and requires that the City's major governmental and business-type funds be identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type.

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

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

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

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

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**U.S. 101/MILLBRAE AVE CAPITAL PROJECTS FUND -** To account for grant moneys received for the US 101/Millbrae Avenue interchanged improvement project.

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

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

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

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

The City also reports the following fund types:

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

**D. Basis of Accounting**

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

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

***E. Revenue Recognition for Water and Sewer Enterprise Funds***

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

***F. Property Tax***

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***G. Compensated Absences***

Compensated absences comprise unpaid vacation and the vested portion of sick leave which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. 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	\$2,044,818	\$242,906	\$2,287,724
Additions	42,464	99,485	141,949
Payments	(104,654)	(97,297)	(201,951)
Ending Balance	<u>\$1,982,628</u>	<u>\$245,094</u>	<u>\$2,227,722</u>
Current Portion	<u>\$87,327</u>	<u>\$102,923</u>	<u>\$190,250</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.

**NOTE 2 – BUDGES AND BUDGETARY ACCOUNTING**

***A. Budgeting Procedures***

In even numbered years, the City Manager submits to the City Council a proposed biennial operating budget for the ensuing two fiscal years. The operating budget includes proposed expenditures and the means of financing them and is subjected 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 the various City departments. The City Council controls the budget at the department level. The budget is effective the following July 1 and may be amended by subsequent Council resolutions. The City Manager is authorized to transfer appropriations between line items within any department. Inter-fund transfers in excess of \$20,000 must be approved by the City Council. Expenditures may not exceed appropriations at the fund level. All appropriations lapse at year end. Supplemental appropriations were adopted by City Council and have been included in the budget versus actual statements.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Project Funds (which are budgeted on project length basis), Enterprise Funds, Hillcrest Slide Maintenance Special Revenue Fund, Parking In-Lieu Special Revenue Fund, Sister City Trust, Storm Drain Bonds Special Revenue Fund and Fire Facility Bonds Debt Service Fund.

**B. Encumbrances**

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

**C. Excess of Expenditures over Appropriations**

During fiscal 2007, the following funds incurred expenditures in excess of budget.

Fund	Department	Amount
General Fund	General government:	
	Human resource	\$10,286
	General government building	2,532
	Public safety:	
	Police	3,885
	Culture and recreation	9,961
	Debt service:	
	Interest and fiscal charges	12,873
Redevelopment Agency Debt Service Fund	Payments to property tax pass throughs	14,840
AB2928 Grant Special Revenue Fund	Capital outlay	142,170

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS**

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

The City's cash and investments consist of the following at June 30, 2007:

	Cash and Investments		Total
	Available for Operations	With Fiscal Agents	
<b>Investments:</b>			
U.S. Government Agency Securities	\$102,453	\$871,158	\$973,611
U.S. Treasury Bills		438,772	438,772
Local Agency Investment Fund	9,833,801	208,516	10,042,317
San Mateo County Investment Fund	8,421,570		8,421,570
Certificates of deposits	1,365,774		1,365,774
Money Market Funds		3,435,830	3,435,830
<b>Petty Cash</b>	1,500		1,500
<b>Cash in banks</b>	2,965,302		2,965,302
Total cash and investments	<u>\$22,690,400</u>	<u>\$4,954,276</u>	<u>\$27,644,676</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.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**A. *Authorized Investments by the City***

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

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

The City did not enter into any reverse repurchase agreements during the year ended June 30, 2007.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**B. Authorized Investments by Debt Agreements**

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

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

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

**C. Interest Rate Risk**

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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

	12 Months or less	13 to 24 Months	Total
U.S. Government Agency Securities	\$871,158	\$102,453	\$973,611
U.S. Treasury Bills	438,772		438,772
Local Agency Investment Fund	10,042,317		10,042,317
San Mateo County Investment Fund	8,421,570		8,421,570
Certificates of deposits	1,365,774		1,365,774
Money Market Funds	3,435,830		3,435,830
Petty Cash	1,500		1,500
Cash in banks	2,965,302		2,965,302
Total Cash and Investments	<u>\$27,542,223</u>	<u>\$102,453</u>	<u>\$27,644,676</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, 2007 for each investment type:

Investment Type	AAA	Total
U.S. Government Agency Securities	<u>\$973,611</u>	<u>\$973,611</u>
Totals		
<i>Not rated:</i>		
Local Agency Investment Fund		10,042,317
San Mateo County Investment Fund		8,421,570
Certificates of deposits		1,365,774
Money Market Funds		3,435,830
U.S. Treasury Bills		438,772
Petty Cash		1,500
Cash in banks		2,965,302
Total Cash and Investments		<u>\$27,644,676</u>

**E. Custodial Credit Risk**

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

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

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

**F. *Local Agency Investment Fund***

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2007, these investments matured in an average of 176 days.

**G. *San Mateo County Investment Fund***

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2007, these investments matured in an average of 0.9 years.

Money Market Funds are available for withdrawal on demand.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 4 - INTERFUND TRANSACTIONS**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2007 interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Millbrae Station Area Developer Fee	
	Capital Projects Fund	\$656,055
	U.S. 101/Millbrae Ave. Capital Projects Fund	402,031
	Storm Drain Enterprise Fund	217,178
	Non-Major Governmental Funds	638,904
Redevelopment Agency Capital Projects Fund	Municipal Wastewater Treatment Facility	
	Enterprise Fund	1,402,434
Municipal Water System Enterprise Fund	Municipal Wastewater Treatment Facility	
	Enterprise Fund	266,700
		<u>\$3,583,302</u>

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

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

At June 30, 2007 outstanding balances from the above advances were as follows:

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

**C. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2007 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	
General Fund	Millbrae Station Area Developer Fee - Operating		
	Special Revenue Fund	\$71,234 A	
	Redevelopment Agency Capital Projects Fund	2,924 A	
	Non-Major Governmental Funds	88,483 A	
	Municipal Water System Enterprise Fund	7,842 A	
	Municipal Waste Water Treatment Facility		
	Enterprise Fund	10,750 A	
	Storm Drain Enterprise Fund	831 A	
	Internal Service Funds	1,862 A	
	Redevelopment Agency Debt Service Fund	Redevelopment Agency Special Revenue Fund	115,428 B
	Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service	647,894 A
	Non-Major Governmental Funds	General Fund	437,808 C
		General Fund	320,004 B
		General Fund	10,000 A
	Redevelopment Agency Capital Projects Fund	90,000 D	
	Municipal Waste Water Treatment Facility		
	Enterprise Fund	13,500 A	
	Municipal Water System Enterprise Fund	9,834 A	
	Non Major Governmental Funds	253,239 D	
Internal Service Funds	General Fund	178,827 B	
	<b>Total Interfund Transfers</b>	<b><u>\$2,260,460</u></b>	

The reasons for these transfers are set forth below:

- A To fund administrative expenditures
- B To fund debt service payments
- C To fund recreation programs
- D To fund library maintenance costs, landscaping improvements, Central Park project or return of unused funds

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 4 - INTERFUND TRANSACTIONS (Continued)**

**D. Internal Balances**

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

**NOTE 5 - LOANS RECEIVABLE**

The Low and Moderate Income First Time Home Buyer Program was established to provide mortgages for up to 20 employees of School Districts located within the City. In order to qualify participants must be employees of these Districts and they must be home buyers in low and moderate-income housing developments who do not qualify for a home purchase without down payment assistance. These loans bear no interest nor require payments for the first ten years of the loan or until the participant ceases employment with the District, whichever is earlier. After that date the loans bear a negotiated interest rate and require monthly interest payments. The loans are secured by second deeds of trust, require the principal balance to be paid at the end of the thirty year term and must be repaid in full if the property is sold to a unqualified buyer. At June 30, 2007, First Time Home Buyer Loans in the amount of \$683,470 were outstanding.

**NOTE 6 - CAPITAL ASSETS**

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

During the fiscal year ended June 30, 2007 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34. The results of this study were included in the City's financial reports for the fiscal year ended June 30, 2007, and resulted in accounting adjustments in governmental activities. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments.

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

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

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

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

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

Changes in capital assets during the year ended June 30, 2007 comprise:

	Balance at June 30, 2006	GASB 34 Adjustments	Additions	Retirements and Adjustment	Balance at June 30, 2007
<b>Governmental activities</b>					
Capital assets not being depreciated:					
Land	\$1,967,619	\$12,917,865			\$14,885,484
Total capital assets not being depreciated	1,967,619	12,917,865			14,885,484
Capital assets being depreciated:					
Land Improvements	893,172	36,793	\$15,143		945,108
Building and Improvements	19,721,591		451,749		20,173,340
Furniture, Fixtures and Equipment	3,477,495		475,522	(\$127,974)	3,825,043
Automobiles and Trucks	500,466		26,393	5,989	532,848
Infrastructure	2,860,045	48,589,934	1,507,793	(257,485)	52,700,287
Total capital assets being depreciated	27,452,769	48,626,727	2,476,600	(379,470)	78,176,626
Less accumulated depreciation for:					
Land Improvements	566,693	12,515	36,725		615,933
Building and Improvements	2,517,069		399,130		2,916,199
Furniture, Fixtures and Equipment	1,835,474		271,819	(36,453)	2,070,840
Automobiles and Trucks	482,834		9,209		492,043
Infrastructure	702,648	21,633,255	1,691,572	(191,641)	23,835,834
Total accumulated depreciation	6,104,718	21,645,770	2,408,455	(228,094)	29,930,849
Net Governmental Fund Program Capital assets	23,315,670	39,898,822	68,145	(151,376)	63,131,261
<b>Internal Service Fund Capital Assets</b>					
Building and Improvements	80,065				80,065
Furniture, Fixtures and Equipment	516,508		124,215		640,723
Automobiles and Trucks	1,699,409		261,068	(9,341)	1,951,136
Total capital assets being depreciated	2,295,982		385,283	(9,341)	2,671,924
Less accumulated depreciation for:					
Building and Improvements	34,183		1,601		35,784
Furniture, Fixtures and Equipment	134,961		64,968		199,929
Automobiles and Trucks	1,426,858		111,153	(3,352)	1,534,659
Total accumulated depreciation	1,596,002		177,722	(3,352)	1,770,372
Net Internal Service Capital Assets Being Depreciated	699,980		207,561	(5,989)	901,552
Governmental activity capital assets, net	\$24,015,650	\$39,898,822	\$275,706	(\$157,365)	\$64,032,813

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

	Balance at June 30, 2006	GASB 34 Adjustments	Additions	Retirements & Adjustments	Balance at June 30, 2007
<b>Business-type activities</b>					
Capital assets, being depreciated:					
Land Improvements	\$231,267				\$231,267
Building and Improvements	5,877,357				5,877,357
Furniture, Fixtures and Equipment	13,017,268	\$41,961	\$2,119,447	(\$520,000)	14,658,676
Automobiles and Trucks	50,057		1,500		51,557
Infrastructure	16,187,426	(5,618,284)	299,845	(325,078)	10,543,909
<b>Total capital assets being depreciated</b>	<b>35,363,375</b>	<b>(5,576,323)</b>	<b>2,420,792</b>	<b>(845,078)</b>	<b>31,362,766</b>
Less accumulated depreciation for:					
Land Improvements	102,226		11,631		113,857
Building and Improvements	2,656,031		109,828		2,765,859
Furniture, Fixtures and Equipment	5,403,955	41,961	798,143	(4,395)	6,239,664
Automobiles and Trucks	39,446		4,344		43,790
Infrastructure	8,565,787	(2,927,984)	137,880	(571)	5,775,112
<b>Total accumulated depreciation</b>	<b>16,767,445</b>	<b>(2,886,023)</b>	<b>1,061,826</b>	<b>(4,966)</b>	<b>14,938,282</b>
<b>Business-type activity capital assets, net</b>	<b>\$18,595,930</b>	<b>(\$2,690,300)</b>	<b>\$1,358,966</b>	<b>(\$840,112)</b>	<b>\$16,424,484</b>

At June 30, 2007, the Co-Generation Wastewater Project remaining costs are estimated to be approximately \$263,785.

**A. Capital Asset Contributions**

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 6 - CAPITAL ASSETS (Continued)**

**B. Depreciation Allocation**

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

*Governmental Activities*

General Government	\$89,459
Public Safety	218,441
Highways and Streets	1,775,693
Culture and Recreation	76,641
Community Development	248,221
Capital assets held by the City's Internal Service Funds	<u>177,722</u>
<b>Total Governmental Activities</b>	<b><u><u>\$2,586,177</u></u></b>

*Business-Type Activities*

Municipal Water System	\$262,607
Municipal Wastewater Treatment Facility	754,864
Storm Drain	<u>44,355</u>
<b>Total Business-Type Activities</b>	<b><u><u>\$1,061,826</u></u></b>

**NOTE 7 - 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.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 7 - LONG TERM DEBT (Continued)**

**A. Current Year Transactions and Balances**

<i>Governmental Activity Debt:</i>	Original Issue Amount	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
<b>2001 Public Library General Obligation Bonds</b>						
Public Library Project						
5.12%-8.5%, due 8/1/2036	\$10,600,000	\$10,520,000		\$45,000	\$10,475,000	\$60,000
<b>2004 Pension Obligation Bonds Series A-2</b>						
4.35%-6.58%, due 6/1/2034	11,521,630	12,904,106	\$784,498		13,688,604	740,000
<b>1999 Certificates of Participation</b>						
4.5-5.875%, due 3/1/2024	4,105,000	3,520,000		120,000	3,400,000	130,000
<b>Natural Disaster Assistance Loan</b>						
5.39%, due 6/9/2011	2,686,858	1,000,000		200,000	800,000	
<b>2005 Redevelopment Agency Tax Allocation Bonds</b>						
3.0-4.5%, due 8/1/2035	8,590,000	8,540,000		75,000	8,465,000	95,000
<b>2006 Lease Purchase Financing - Phone System</b>						
4.56%, due 06/30/2011	246,658	180,724	58,583	45,288	194,019	47,397
<b>2007 Lease Purchase Financing - Fire Apparatus</b>						
4.97%, due 01/12/2011	430,463		430,463	94,640	335,823	77,950
<b>2007 Lease Purchase Financing - Police Vehicles</b>						
5.60%, due 02/27/2010	144,669		144,669	39,175	105,494	33,267
Total Governmental Activity Debt		<u>\$36,664,830</u>	<u>\$1,418,213</u>	<u>\$619,103</u>	<u>\$37,463,940</u>	<u>\$1,183,614</u>
 <i>Business-Type Activity Debt:</i>						
Enterprise Funds:						
<b>2005 Bank Loan - Cogeneration Project</b>						
4.75%, due 4/27/2025	\$6,486,209	\$6,286,001		\$209,830	\$6,076,171	\$219,916
Discounts and loss on refunding, net of amortization		(31,583)		1,677	(29,906)	
Total Business-Type Activity Debt		<u>\$6,254,418</u>		<u>\$211,507</u>	<u>\$6,046,265</u>	<u>\$219,916</u>

**B. Public Library Project General Obligation Bonds**

On August 7, 2001, the City issued 2001 General Obligation Bonds in the amount of \$10,600,000. The Bond proceeds were used to renovate, and construct an expansion area of the Millbrae Public Library. Semi-annual interest payments are due each February 1 and August 1, and principal is due on August 1 repayable from General Fund revenues until August 1, 2036. These bonds are repayable from a voter-approved tax levied for that purpose.

**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, 2007, prepaid pension obligations amounted to \$9,622,229.

The Bonds unaccrued discount totaled \$19,971,396 at June 30, 2007. 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 will commence June 1, 2008.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 7 - LONG TERM DEBT (Continued)**

***D. 1999 Certificates of Participation***

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

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

***E. Natural Disaster Assistance Loan***

On June 9, 2001, the City obtained a loan from the Governor's Office of Emergency Services. The loan was used to repair and restore public facilities as a result of a landslide. Principal and interest payments were deferred for 3 years with annual interest payments. In fiscal year 2005, the loan agreement was amended to defer repayment until May 2007. City did not make any payment during fiscal year 2007.

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

***F. 2005 Redevelopment Agency Tax Allocation Bonds***

On January 13, 2005, the Redevelopment Agency issued 2005 Redevelopment Agency Tax Allocation Bonds in the original principal amount of \$8,590,000. The proceeds were used to repay the 1993 Tax Allocation Bonds and to finance redevelopment activities in the project area. As a result, the 1993 Bonds were called on March 1, 2005.

Interest payments are due each February 1 and August 1 and principal payments are due each August 1. These debt service payments are repayable from tax increment revenues allocated to the Redevelopment Agency and certain other sources.

***G. 2006 Lease Purchase Financing – Phone System***

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

***H. 2007 Lease Purchase Financing – Fire Apparatus***

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 7 - LONG TERM DEBT (Continued)**

**I. 2007 Lease Purchase Financing – Police Vehicle**

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

**J. 2005 Bank Loan**

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

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

**K. Debt Service Requirements**

Annual debt service requirements are shown below:

Year ending June 30:	Governmental Activities		Business-Type Activities	
	Principal (A)	Interest	Principal	Interest
2008	\$1,183,614	\$1,121,765	\$219,916	\$286,037
2009	1,241,558	1,102,030	230,485	275,467
2010	1,299,900	1,075,636	241,564	264,389
2011	1,385,264	1,048,674	253,175	252,779
2012	2,115,000	1,022,314	265,342	240,610
2013-2017	7,530,000	4,747,497	1,530,727	999,038
2018-2022	9,475,000	3,988,745	1,935,693	594,070
2023-2027	10,925,000	2,968,344	1,399,269	118,591
2028-2032	12,920,000	1,960,713		
2033-2037	9,360,000	675,008		
Total	<u>\$57,435,336</u>	<u>\$19,710,724</u>	<u>\$6,076,171</u>	<u>\$3,030,981</u>

(A) Includes unaccreted discount totaling \$19,971,396

**L. Debt with No 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, 2007 was \$27,740,000.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 7 - LONG TERM DEBT (Continued)**

**M. Authorized but Not Issued Loan**

On June 12, 2007 the City Council authorized a State Revolving Fund loan application from the State Water Resources Control Board. Proceeds from the Loan will be used to finance the Water Pollution Control Plant Renovation Project which is estimated to cost approximately \$32 million. As of June 30, 2007, no proceeds had been drawdown.

**NOTE 8 – NET ASSETS AND FUND BALANCES**

**A. Net Assets**

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

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

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

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

**B. Fund Balance**

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

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

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

**C. Reservations**

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

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

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)**

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

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

**D. Designations**

Designated for **prior year operating budget carryovers** is the portion of fund balance to be used for prior year spent appropriations which have been approved by Council.

Designated for **capital outlay** is the portion of fund balance to be used for budgeted future capital outlay projects.

Designated for **fire apparatus** is the portion of fund balance to be used for future fire apparatus capital outlay.

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

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

**E. Fund Balance Deficits**

As of June 30, 2007, the U.S. 101 Millbrae Avenue and Park Capital Improvement Capital Projects Funds had deficit fund balances of \$396,953 and \$104,965, respectively at June 30, 2007. Future revenues are expected to eliminate the deficits.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 9 - RETIREMENT BENEFITS**

**A. CALPERS Safety and Miscellaneous Employees Plans**

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City's labor contracts require it to pay the employees contributions as well as its own. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4%-3%	2.0%-2.7%
Required employee contribution rates	9.000%	8.000%
Required employer contribution rates	Police: 10.269%	11.335%
	Fire: 18.266%	

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 years ended June 30, 2007, 2006, and 2005 amounted to \$1,761,078, \$1,608,470 and \$1,566,622 respectively.

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 7). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to \$9,581,926 at June 30, 2007. During fiscal 2006-2007, the amortization of the prepayment increased the actuarially required contributions by \$493,706 to arrive at Annual Pension Costs of \$1,761,078.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 9 - RETIREMENT BENEFITS (Continued)**

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

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

**B. *Postemployment Health Care Benefits***

The City pays a portion of insurance premiums to provide health care benefits for retired employees as required by bargaining unit agreements. City employees who retire after reaching age 50 with five years or more of service are eligible for benefits. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. During the year ended June 30, 2007 the City paid \$267,754 on behalf of 60 retirees who were participating in the plan.

**C. *Deferred Compensation Plan***

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

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

**NOTE 10 - RISK MANAGEMENT**

**A. *Insurance Coverage***

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$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 provides \$1,000,000 of employee theft coverage in the excess of the city's \$5,000 deductible. For the year ended June 30, 2007, the City paid ABAG Plan \$290,699 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.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 10 - RISK MANAGEMENT (Continued)**

**B. Liability for Uninsured Claims**

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

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

	Fiscal 2006-2007			Fiscal 2005-2006 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$463,916	\$163,533	\$627,449	\$972,054
Net change in:				
Liability for current fiscal year claims	49,253	59,028	108,281	256,447
Liability for prior fiscal year claims and claims incurred but not reported (IBNR)	241,199	(101,050)	140,149	(305,605)
Claims paid	(276,063)	(79,438)	(355,501)	(295,447)
Balances, end of year	<u>\$478,305</u>	<u>\$42,073</u>	<u>\$520,378</u>	<u>\$627,449</u>

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

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

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

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$53,880 for the year ended June 30, 2007. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

**CITY OF MILLBRAE**  
**Notes to Financial Statements**

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

***B. Transportation System Management***

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

**NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS**

***A. Contingent Liabilities***

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

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

CITY OF MILLBRAE  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Property tax	\$5,787,387	\$5,787,387	\$6,321,695	\$534,308
Sales tax	2,326,353	2,326,353	2,374,919	48,566
Transient occupancy tax	2,735,250	2,735,250	2,929,434	194,184
Other taxes	1,256,697	1,256,697	1,363,757	107,060
Licenses and permits	404,031	404,031	533,920	129,889
Charges for services	567,426	746,796	830,650	83,854
Fines and forfeitures	346,922	346,922	455,340	108,418
Use of money and property	408,865	408,865	612,499	203,634
Grants and intergovernmental	183,624	183,624	229,927	46,303
Miscellaneous	61,912	61,912	190,733	128,821
<b>Total Revenues</b>	<b>14,078,467</b>	<b>14,257,837</b>	<b>15,842,874</b>	<b>1,585,037</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>General government:</b>				
City council	124,921	101,125	101,122	3
City clerk	214,961	227,347	209,444	17,903
Treasurer	8,223	8,297	6,966	1,331
Administration	118,223	117,378	115,267	2,111
Attorney	177,068	146,468	146,410	58
<b>General services:</b>				
Finance	906,739	998,747	725,387	273,360
Human resource	194,787	194,322	204,608	(10,286)
General government building	67,905	125,961	128,493	(2,532)
Non-departmental	165,842	154,249	93,821	60,428
<b>Total general government</b>	<b>1,978,669</b>	<b>2,073,894</b>	<b>1,731,518</b>	<b>342,376</b>
<b>Public safety:</b>				
Police	4,258,089	4,419,638	4,423,523	(3,885)
Fire	4,123,313	4,229,809	4,204,138	25,671
<b>Total public safety</b>	<b>8,381,402</b>	<b>8,649,447</b>	<b>8,627,661</b>	<b>21,786</b>
<b>Highways and streets:</b>				
Engineering	672,682	775,690	612,239	163,451
Maintenance	676,123	642,950	546,440	96,510
<b>Total highways and streets</b>	<b>1,348,805</b>	<b>1,418,640</b>	<b>1,158,679</b>	<b>259,961</b>
Culture and recreation	12,000	12,000	21,961	(9,961)
Community development	1,657,218	1,778,032	1,737,144	40,888
Capital outlay	94,294	259,245	132,172	127,073
<b>Debt service:</b>				
Principal		146,448	139,928	6,520
Interest and fiscal charges		15,754	28,627	(12,873)
<b>Total Expenditures</b>	<b>13,472,388</b>	<b>14,353,460</b>	<b>13,577,690</b>	<b>775,770</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>606,079</b>	<b>(95,623)</b>	<b>2,265,184</b>	<b>2,360,807</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt			489,046	489,046
Transfers in	183,925	183,925	183,926	1
Transfers (out)	(968,368)	(939,639)	(946,639)	(7,000)
<b>Total other financing sources (uses)</b>	<b>(784,443)</b>	<b>(755,714)</b>	<b>(273,667)</b>	<b>482,047</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$178,364)</b>	<b>(\$851,337)</b>	<b>1,991,517</b>	<b>\$2,842,854</b>
<b>BEGINNING FUND BALANCE</b>			<b>2,704,742</b>	
<b>ENDING FUND BALANCE</b>			<b>\$4,696,259</b>	

CITY OF MILLBRAE  
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>GOVERNMENTAL REVENUES</b>				
Property tax	\$592,800	\$592,800	\$750,244	\$157,444
Use of money and property	113,546	113,456	102,840	(10,616)
Miscellaneous			15,813	15,813
	<u>706,346</u>	<u>706,256</u>	<u>868,897</u>	<u>162,641</u>
<b>EXPENDITURES</b>				
Community development	122,095	122,095	98,009	24,086
	<u>122,095</u>	<u>122,095</u>	<u>98,009</u>	<u>24,086</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>584,251</u>	<u>584,161</u>	<u>770,888</u>	<u>186,727</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)		(115,423)	(115,428)	(5)
		<u>(115,423)</u>	<u>(115,428)</u>	<u>(5)</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	<u>\$584,251</u>	<u>\$468,738</u>	655,460	<u>\$186,722</u>
<b>BEGINNING FUND BALANCE</b>			<u>2,637,944</u>	
<b>ENDING FUND BALANCE</b>			<u>\$3,293,404</u>	

CITY OF MILLBRAE  
MILLBRAE STATION AREA DEVELOPER FEE - OPERATING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>GOVERNMENTAL REVENUES</b>				
Licenses and permits		\$429,480	\$510,575	\$81,095
Charges for services		1,452,420	1,268,742	(183,678)
Fines and forfeitures		60,377	245,377	185,000
Use of money and property			62,025	62,025
Miscellaneous			25,406	25,406
Total Revenues		<u>1,942,277</u>	<u>2,112,125</u>	<u>169,848</u>
<b>EXPENDITURES</b>				
General government:				
Non-departmental		30,739		30,739
Public safety:				
Fire		245,377		245,377
Highway and streets:				
Engineering		71,431		71,431
Community development	\$39,570	2,220,230	42,716	2,177,514
Capital outlay	100,000			
Total Expenditures	<u>139,570</u>	<u>2,567,777</u>	<u>42,716</u>	<u>2,525,061</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(139,570)</u>	<u>(625,500)</u>	<u>2,069,409</u>	<u>2,694,909</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers (out)		(71,234)	(71,234)	
Total Other Financing Sources (Uses)		<u>(71,234)</u>	<u>(71,234)</u>	
<b>NET CHANGE IN FUND BALANCES</b>				
	<u>(\$139,570)</u>	<u>(\$696,734)</u>	1,998,175	<u>\$2,694,909</u>
<b>BEGINNING FUND BALANCE</b>			454,963	
<b>ENDING FUND BALANCE</b>			<u>\$2,453,138</u>	

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

In even numbered years, the City Manager submits to the City Council a proposed biennial operating budget for the ensuing two fiscal years. The operating budget includes proposed expenditures and the means of financing them and is subjected 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 the various City departments. The City Council controls the budget at the department level. The budget is effective the following July 1 and may be amended by subsequent Council resolutions. The City Manager is also authorized by the City Council to approve appropriation transfers between two or more departments and/or funds up to and including \$50,000. Such transfers in excess of \$50,000 must be approved by the City Council/Agency Board by resolution. Expenditures may not exceed appropriations at the fund level. All appropriations lapse at year end. Supplemental appropriations were adopted by City Council and have been included in the budget versus actual statements.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Project Funds (which are budgeted on project length basis), Enterprise Funds, Hillcrest Slide Maintenance Special Revenue Fund, Parking In-Lieu Special Revenue Fund, Sister City Trust, Storm Drain Bonds Special Revenue Fund and Fire Facility Bonds Debt Service Fund.

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

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

CITY OF MILLBRAE  
REDEVELOPMENT AGENCY DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Budget	Actual	Positive (Negative)
<b>GOVERNMENTAL REVENUES</b>			
Property tax	\$2,337,000	\$3,000,970	\$663,970
Use of money and property	100,288	205,909	105,621
Total Revenues	2,437,288	3,206,879	769,591
<b>EXPENDITURES</b>			
Payments to property tax pass throughs	1,391,706	1,406,546	(14,840)
Debt service:			
Principal	75,000	75,000	
Interest and fiscal charges	474,696	468,287	6,409
Total Expenditures	1,941,402	1,949,833	(8,431)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	495,886	1,257,046	761,160
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	115,423	115,428	5
Transfers (out)	(647,894)	(647,894)	
Total Other Financing Sources (Uses)	(532,471)	(532,466)	5
<b>NET CHANGE IN FUND BALANCES</b>	(\$36,585)	724,580	\$761,165
<b>BEGINNING FUND BALANCE</b>		2,093,155	
<b>ENDING FUND BALANCE</b>		\$2,817,735	

**OTHER SUPPLEMENTARY INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

**AB2928 Grant** – To account for grants received from AB2928.

**Hillcrest Slide Maintenance** - To account for grant moneys received due to the 1996 Storm.

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

**Parking In Lieu** - To account for moneys received for business district parking improvements.

**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, BART Impact Study grant, Department of Urban Forestry Grant, San Mateo County for Older American Act Grant and Senior Wing Furniture Donations.

**Schultz Park** - To account for resources donated by the Schultz family to maintain the Schultz Park.

**Sister City Trust** - 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.

<b>NON-MAJOR GOVERNMENTAL FUNDS (Continued)</b>
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**Debt Service Funds**

**Storm Drain Bonds** - To account for the accumulation of resources for, and payment of principal and interest on, the City's general obligation bond issued for Storm Water District #1.

**Fire Facility Bonds** - To account for the accumulation of resources for, and payment of, principal and interest on, the City's 1975 Fire Facility general obligation bonds.

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

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

**Capital Project Funds**

**Library Capital Project Fund** - To account for project costs funded by proceeds of the 2001 General Obligation Bonds.

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

**Park Capital Improvement** - To account for the donations received to be used for park development.

CITY OF MILLBRAE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2007

SPECIAL REVENUE FUNDS

	COPs & Other Grants	Measure A	Noise Insulation Grant	Gas Tax	AB2928 Grant
<b>ASSETS</b>					
Cash and investments	\$25,234	\$1,393,907	\$25,314	\$508,755	
Cash with fiscal agent					
Receivables:					
Taxes		41,760			
Accounts - net					
Due from other governmental agencies					
Prepaid items					
Total Assets	<u>\$25,234</u>	<u>\$1,435,667</u>	<u>\$25,314</u>	<u>\$508,755</u>	
<b>LIABILITIES</b>					
Accounts payable		\$117,898		\$8,655	
Due to other funds					
Deposits					
Deferred revenue					
Total Liabilities		<u>117,898</u>		<u>8,655</u>	
<b>EQUITY AND OTHER CREDITS</b>					
Fund balances:					
Reserved for					
Encumbrances		\$105,386		50,219	
Debt service					
Capital outlay					
Prepays					
Unreserved:					
Designated for:					
Prior year operating budget carryovers		6,679	\$25,314	3,910	
Undesignated	\$25,234	1,205,704		445,971	
Total Fund Balances	<u>25,234</u>	<u>1,317,769</u>	<u>25,314</u>	<u>500,100</u>	
Total Liabilities and Fund Balances	<u>\$25,234</u>	<u>\$1,435,667</u>	<u>\$25,314</u>	<u>\$508,755</u>	

SPECIAL REVENUE FUNDS

Hillcrest Slide Maintenance	Special Recreation	Parking In-Lieu	Integrated Waste Management	Other	Shultz Park	Sister City Trust	Park Improvement
\$237,711	\$77,227	\$1,593	\$240,821	\$70,912	\$13,484	\$12,551	\$224,508
	588		30,366	279,114			
	4,000			18,039			
<u>\$237,711</u>	<u>\$81,815</u>	<u>\$1,593</u>	<u>\$271,187</u>	<u>\$368,065</u>	<u>\$13,484</u>	<u>\$12,551</u>	<u>\$224,508</u>
	\$21,115		\$398	\$1,880			\$8,180
	11,127		17,850	310,429			207,686
				24,373			8,642
				19,004			
	32,242		18,248	355,686			224,508
	14,211			26,721			941
	4,000						
\$237,711	16,000		26,000				
	15,362	\$1,593	226,939	(14,342)	\$13,484	\$12,551	(941)
237,711	49,573	1,593	252,939	12,379	13,484	12,551	
<u>\$237,711</u>	<u>\$81,815</u>	<u>\$1,593</u>	<u>\$271,187</u>	<u>\$368,065</u>	<u>\$13,484</u>	<u>\$12,551</u>	<u>\$224,508</u>

(Continued)

CITY OF MILLBRAE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEETS  
JUNE 30, 2007

	DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND
	Storm Drain Bonds	Fire Facility Bonds	1999 COPS	Library Bonds	Library Capital Project
<b>ASSETS</b>					
Cash and investments	\$3,399	\$4,373	\$47,059	\$592,269	\$143,973
Cash with fiscal agent			332,358		
Receivables:					
Taxes					
Accounts - net					
Due from other governmental agencies					
Prepaid items					
Total Assets	<u>\$3,399</u>	<u>\$4,373</u>	<u>\$379,417</u>	<u>\$592,269</u>	<u>\$143,973</u>
<b>LIABILITIES</b>					
Accounts payable					
Due to other funds					
Deposits					
Deferred revenue					
Total Liabilities					
<b>EQUITY AND OTHER CREDITS</b>					
Fund balances:					
Reserved for					
Encumbrances					\$6,195
Debt service	\$3,399	\$4,373	\$379,417	\$592,269	
Capital outlay					102,331
Prepays					
Unreserved:					
Designated for:					
Prior year operating budget carryovers					35,447
Undesignated					
Total Fund Balances	<u>3,399</u>	<u>4,373</u>	<u>379,417</u>	<u>592,269</u>	<u>143,973</u>
Total Liabilities and Fund Balances	<u>\$3,399</u>	<u>\$4,373</u>	<u>\$379,417</u>	<u>\$592,269</u>	<u>\$143,973</u>

CAPITAL PROJECTS FUNDS

<u>Special Assessment District</u>	<u>Park Capital Improvement</u>	<u>Total Nonmajor Governmental Funds</u>
\$51,332	\$15,824	\$3,465,738 556,866
		41,760 310,068 18,039 4,000
<u>\$51,332</u>	<u>\$15,824</u>	<u>\$4,396,471</u>
		\$158,126 638,904 61,992 19,004
	<u>120,789</u>	<u>878,026</u>
	15,840	219,513 979,458 102,331 4,000
<u>\$51,332</u>	<u>(120,805)</u>	<u>113,350</u> <u>2,099,793</u>
<u>51,332</u>	<u>(104,965)</u>	<u>3,518,445</u>
<u>\$51,332</u>	<u>\$15,824</u>	<u>\$4,396,471</u>

CITY OF MILLBRAE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

SPECIAL REVENUE FUNDS

	COPs & Other Grants	Measure A	Noise Insulation Grant	Gas Tax	AB2928 Grant
<b>GOVERNMENTAL REVENUES</b>					
Property tax					
Other taxes		\$402,649			
Charges for services					
Use of money and property	\$1,270	57,029	\$1,406	\$18,684	
Grants and intergovernmental	104,275			400,145	\$155,280
Miscellaneous					
<b>Total Revenues</b>	<b>105,545</b>	<b>459,678</b>	<b>1,406</b>	<b>418,829</b>	<b>155,280</b>
<b>EXPENDITURES</b>					
Current:					
Public safety	125,431				
Highways and streets		63,870		349,593	24,592
Culture and recreation					
Community development			13,093		
Capital outlay		132,141		64,935	213,578
Debt service:					
Principal					
Interest and fiscal charges					
<b>Total Expenditures</b>	<b>125,431</b>	<b>196,011</b>	<b>13,093</b>	<b>414,528</b>	<b>238,170</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(19,886)</b>	<b>263,667</b>	<b>(11,687)</b>	<b>4,301</b>	<b>(82,890)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in					
Transfers (out)		(90,000)			
<b>Total Other Financing Sources (Uses)</b>		<b>(90,000)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	<b>(19,886)</b>	<b>173,667</b>	<b>(11,687)</b>	<b>4,301</b>	<b>(82,890)</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>	<b>45,120</b>	<b>1,144,102</b>	<b>37,001</b>	<b>495,799</b>	<b>82,890</b>
<b>ENDING FUND BALANCES (DEFICITS)</b>	<b>\$25,234</b>	<b>\$1,317,769</b>	<b>\$25,314</b>	<b>\$500,100</b>	

SPECIAL REVENUE FUNDS

Hillcrest Slide Maintenance	Special Recreation	Parking In-Lieu	Integrated Waste Management	Other	Shultz Park	Sister City Trust	Park Improvement
	\$629,500		\$205,622				
\$12,711	156,672			\$1,023		\$212	\$11,139
	19,323		5,557	34,884			322,516
150,000				15,065		67	9,654
162,711	805,495		211,179	50,972		279	343,309
				5,318			
			179,911	27,162			
	1,283,827			4,980		332	18,454
							941
	1,283,827		179,911	37,460		332	19,395
162,711	(478,332)		31,268	13,512		(53)	323,914
	454,279			30,333		3,000	
	(9,225)		(491)	(16,471)			(225,535)
	445,054		(491)	13,862		3,000	(225,535)
162,711	(33,278)		30,777	27,374		2,947	98,379
75,000	82,851	\$1,593	222,162	(14,995)	\$13,484	9,604	(98,379)
\$237,711	\$49,573	\$1,593	\$252,939	\$12,379	\$13,484	\$12,551	

(Continued)

CITY OF MILLBRAE  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2007

	DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND
	Storm Drain Bonds	Fire Facility Bonds	1999 COPS	Library Bonds	Library Capital Project
GOVERNMENTAL REVENUES					
Property tax	\$140			\$671,392	
Other taxes					
Charges for services					
Use of money and property	23		\$18,105	18,219	\$7,374
Grants and intergovernmental					
Miscellaneous					
Total Revenues	<u>163</u>		<u>18,105</u>	<u>689,611</u>	<u>7,374</u>
EXPENDITURES					
Current:					
Public safety					
Highways and streets					
Culture and recreation					
Community development					6,776
Capital outlay					
Debt service:					
Principal			120,000	45,000	
Interest and fiscal charges			198,768	543,106	
Total Expenditures			<u>318,768</u>	<u>588,106</u>	<u>6,776</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>163</u>		<u>(300,663)</u>	<u>101,505</u>	<u>598</u>
OTHER FINANCING SOURCES (USES)					
Transfers in			320,004		
Transfers (out)					
Total Other Financing Sources (Uses)			<u>320,004</u>		
NET CHANGE IN FUND BALANCES	163		19,341	101,505	598
BEGINNING FUND BALANCES (DEFICITS)	<u>3,236</u>	<u>\$4,373</u>	<u>360,076</u>	<u>490,764</u>	<u>143,375</u>
ENDING FUND BALANCES (DEFICITS)	<u>\$3,399</u>	<u>\$4,373</u>	<u>\$379,417</u>	<u>\$592,269</u>	<u>\$143,973</u>

CAPITAL PROJECTS FUNDS

Special Assessment District	Park Capital Improvement	Total Nonmajor Governmental Funds
		\$671,532
		402,649
		835,122
(\$33)		303,834
		1,041,980
		174,786
		<u>3,429,903</u>
(33)		
		130,749
		645,128
		1,284,159
	\$865	44,168
	1,220,859	1,632,454
		165,000
		741,874
		<u>4,643,532</u>
	1,221,724	
		<u>(1,213,629)</u>
(33)	(1,221,724)	
		326,769
		1,134,385
		(341,722)
		<u>792,663</u>
	326,769	
		<u>(420,966)</u>
(33)	(894,955)	
		51,365
	789,990	3,939,411
		<u>\$3,518,445</u>
<u>\$51,332</u>	<u>(\$104,965)</u>	

CITY OF MILLBRAE  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

SPECIAL REVENUE FUNDS

	COPS & OTHER GRANTS			MEASURE A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>GOVERNMENTAL REVENUES</b>						
Property tax						
Other taxes				\$325,000	\$402,649	\$77,649
Charges for services						
Use of money and property		\$1,270	\$1,270	10,000	57,029	47,029
Grants and intergovernmental	\$100,000	104,275	4,275			
Miscellaneous						
<b>Total Revenues</b>	<b>100,000</b>	<b>105,545</b>	<b>5,545</b>	<b>335,000</b>	<b>459,678</b>	<b>124,678</b>
<b>EXPENDITURES</b>						
Current:						
Public safety:						
Police	125,432	125,431	1			
Highways and streets						
Engineering						
Maintenance				128,509	63,870	64,639
Culture and recreation						
Community development						
Capital outlay				355,188	132,141	223,047
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<b>125,432</b>	<b>125,431</b>	<b>1</b>	<b>483,697</b>	<b>196,011</b>	<b>287,686</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(25,432)</b>	<b>(19,886)</b>	<b>5,546</b>	<b>(148,697)</b>	<b>263,667</b>	<b>412,364</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)				(90,000)	(90,000)	
<b>Total Other Financing Sources (Uses)</b>				<b>(90,000)</b>	<b>(90,000)</b>	
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$25,432)</b>	<b>(19,886)</b>	<b>\$5,546</b>	<b>(\$238,697)</b>	<b>173,667</b>	<b>\$412,364</b>
<b>BEGINNING FUND BALANCES (DEFICITS)</b>		<b>45,120</b>			<b>1,144,102</b>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<b>\$25,234</b>			<b>\$1,317,769</b>	



CITY OF MILLBRAE  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	SPECIAL RECREATION			INTEGRATED WASTE MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>GOVERNMENTAL REVENUES</b>						
Property tax						
Other taxes						
Charges for services	\$520,520	\$629,500	\$108,980	\$200,000	\$205,622	\$5,622
Use of money and property	110,000	156,672	46,672			
Grants and intergovernmental	21,000	19,323	(1,677)		5,557	5,557
Miscellaneous						
<b>Total Revenues</b>	<u>651,520</u>	<u>805,495</u>	<u>153,975</u>	<u>200,000</u>	<u>211,179</u>	<u>11,179</u>
<b>EXPENDITURES</b>						
Current:						
Public safety:						
Police						
Highways and streets						
Engineering				225,510	179,911	45,599
Maintenance						
Culture and recreation	1,298,067	1,283,827	14,240			
Community development						
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
<b>Total Expenditures</b>	<u>1,298,067</u>	<u>1,283,827</u>	<u>14,240</u>	<u>225,510</u>	<u>179,911</u>	<u>45,599</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(646,547)</u>	<u>(478,332)</u>	<u>168,215</u>	<u>(25,510)</u>	<u>31,268</u>	<u>56,778</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	449,285	454,279	4,994			
Transfers (out)	(9,225)	(9,225)		(491)	(491)	
<b>Total Other Financing Sources (Uses)</b>	<u>440,060</u>	<u>445,054</u>	<u>4,994</u>	<u>(491)</u>	<u>(491)</u>	
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$206,487)</u>	<u>(33,278)</u>	<u>\$173,209</u>	<u>(\$26,001)</u>	<u>30,777</u>	<u>\$56,778</u>
<b>BEGINNING FUND BALANCES</b>		<u>82,851</u>			<u>222,162</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u>\$49,573</u>			<u>\$252,939</u>	

SPECIAL REVENUE FUNDS

OTHER			SISTER CITY TRUST			PARK IMPROVEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$1,023	\$1,023		\$212	\$212		\$11,139	\$11,139
\$32,000	34,884	2,884					322,516	322,516
10,575	15,065	4,490	\$4,000	67	(3,933)		9,654	9,654
42,575	50,972	8,397	4,000	279	(3,721)		343,309	343,309
5,422	5,318	104						
68,003	27,162	40,841						
4,980	4,980		3,000	332	2,668	\$18,455	18,454	1
						941	941	
78,405	37,460	40,945	3,000	332	2,668	19,396	19,395	1
(35,830)	13,512	49,342	1,000	(53)	(1,053)	(19,396)	323,914	343,310
(16,475)	30,333	30,333	3,000	3,000		(225,536)	(225,535)	1
	(16,471)	4						
(16,475)	13,862	30,337	3,000	3,000		(225,536)	(225,535)	1
(\$52,305)	27,374	\$79,679	\$4,000	2,947	(\$1,053)	(\$244,932)	98,379	\$343,311
	(14,995)			9,604			(98,379)	
	\$12,379			\$12,551				

(Continued)

CITY OF MILLBRAE  
 BUDGETED NON-MAJOR FUNDS  
 COMBINING SCHEDULES OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	DEBT SERVICE FUNDS					
	1999 COPS			LIBRARY BONDS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>GOVERNMENTAL REVENUES</b>						
Property tax				\$583,000	\$671,392	\$88,392
Other taxes						
Charges for services						
Use of money and property	\$10,000	\$18,105	\$8,105	5,000	18,219	13,219
Grants and intergovernmental						
Miscellaneous						
<b>Total Revenues</b>	<u>10,000</u>	<u>18,105</u>	<u>8,105</u>	<u>588,000</u>	<u>689,611</u>	<u>101,611</u>
<b>EXPENDITURES</b>						
Current:						
Public safety						
Public safety						
Highways and streets						
Public safety						
Public safety						
Culture and recreation						
Community development						
Capital outlay						
Debt service:						
Principal	120,000	120,000		45,000	45,000	
Interest and fiscal charges	201,918	198,768	3,150	543,106	543,106	
<b>Total Expenditures</b>	<u>321,918</u>	<u>318,768</u>	<u>3,150</u>	<u>588,106</u>	<u>588,106</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(311,918)</u>	<u>(300,663)</u>	<u>11,255</u>	<u>(106)</u>	<u>101,505</u>	<u>101,611</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	320,000	320,004	4			
Transfers (out)						
<b>Total Other Financing Sources (Uses)</b>	<u>320,000</u>	<u>320,004</u>	<u>4</u>			
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$8,082</u>	19,341	<u>\$11,259</u>	<u>(\$106)</u>	101,505	<u>\$101,611</u>
<b>BEGINNING FUND BALANCES</b>		<u>360,076</u>			<u>490,764</u>	
<b>ENDING FUND BALANCES (DEFICITS)</b>		<u>\$379,417</u>			<u>\$592,269</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, except fire engines, provided as a service to City departments.

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

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

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

CITY OF MILLBRAE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2007

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
<b>ASSETS</b>					
Current Assets:					
Cash and investments	\$288,145	\$11,488	\$526,662	\$243,117	\$1,069,412
Receivable:					
Accounts - net	1,197			23,050	24,247
Total Current Assets	<u>289,342</u>	<u>11,488</u>	<u>526,662</u>	<u>266,167</u>	<u>1,093,659</u>
Noncurrent Assets:					
Capital assets					
Depreciable capital assets, net	901,552				901,552
Total Assets	<u>1,190,894</u>	<u>11,488</u>	<u>526,662</u>	<u>266,167</u>	<u>1,995,211</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	86,085		8,324	83,585	177,994
Long-term debt due within one year	33,267				33,267
Total Current Liabilities	<u>119,352</u>		<u>8,324</u>	<u>83,585</u>	<u>211,261</u>
Noncurrent Liabilities:					
Compensated absences	18,442				18,442
Accrued self-insurance			478,305	42,073	520,378
Long-term debt					
Due in more than one year	72,227				72,227
Total Liabilities	<u>210,021</u>		<u>486,629</u>	<u>125,658</u>	<u>822,308</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	901,552				901,552
Unrestricted	79,321	11,488	40,033	140,509	271,351
Total Net Assets (Deficits)	<u>\$980,873</u>	<u>\$11,488</u>	<u>\$40,033</u>	<u>\$140,509</u>	<u>\$1,172,903</u>

CITY OF MILLBRAE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
<b>OPERATING REVENUES</b>					
Equipment rental	\$607,105				\$607,105
Interdepartmental charges		\$12,289	\$627,975	\$408,456	1,048,720
Miscellaneous				23,050	23,050
<b>Total Operating Revenues</b>	<b>607,105</b>	<b>12,289</b>	<b>627,975</b>	<b>431,506</b>	<b>1,678,875</b>
<b>OPERATING EXPENSES</b>					
Personnel services	305,674		91,879	76,973	474,526
Contractual services	65,252		48,256	81,723	195,231
Materials, supplies and other services	220,438				220,438
Depreciation	177,722				177,722
Utilities	14,436				14,436
Insurance premiums and claims		14,565	408,970	248,577	672,112
<b>Total Operating Expenses</b>	<b>783,522</b>	<b>14,565</b>	<b>549,105</b>	<b>407,273</b>	<b>1,754,465</b>
<b>Operating Income (Loss)</b>	<b>(176,417)</b>	<b>(2,276)</b>	<b>78,870</b>	<b>24,233</b>	<b>(75,590)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest revenue	10,542		10,666	6,437	27,645
<b>Total Nonoperating Revenues (Expenses)</b>	<b>10,542</b>		<b>10,666</b>	<b>6,437</b>	<b>27,645</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>					
	<b>(165,875)</b>	<b>(2,276)</b>	<b>89,536</b>	<b>30,670</b>	<b>(47,945)</b>
<b>TRANSFERS</b>					
Gain on disposal of capital assets	13,286				13,286
Transfers in	178,827				178,827
Transfers (out)	(1,862)				(1,862)
<b>Transfers, net</b>	<b>190,251</b>				<b>190,251</b>
<b>Change in Net Assets</b>	<b>24,376</b>	<b>(2,276)</b>	<b>89,536</b>	<b>30,670</b>	<b>142,306</b>
<b>BEGINNING NET ASSETS (DEFICIT)</b>	<b>956,497</b>	<b>13,764</b>	<b>(49,503)</b>	<b>109,839</b>	<b>1,030,597</b>
<b>ENDING NET ASSETS</b>	<b>\$980,873</b>	<b>\$11,488</b>	<b>\$40,033</b>	<b>\$140,509</b>	<b>\$1,172,903</b>

CITY OF MILLBRAE  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$605,908	\$12,289	\$627,975	\$408,456	\$1,654,628
Payments to suppliers	(228,272)		(39,932)	1,230	(266,974)
Payments to employees	(302,808)		(91,879)	(76,973)	(471,660)
Claims paid		(14,565)	(394,581)	(370,037)	(779,183)
<b>Cash Flows from Operating Activities</b>	<b>74,828</b>	<b>(2,276)</b>	<b>101,583</b>	<b>(37,324)</b>	<b>136,811</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	178,827				178,827
Transfers out	(1,862)				(1,862)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>176,965</b>				<b>176,965</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(366,008)				(366,008)
Proceeds from issuance of debts	144,669				144,669
Principal payments on capital debt	(39,175)				(39,175)
<b>Cash Flows from Capital and Related Financing Activities</b>	<b>(260,514)</b>				<b>(260,514)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	10,542		10,666	6,437	27,645
<b>Cash Flows from Investing Activities</b>	<b>10,542</b>		<b>10,666</b>	<b>6,437</b>	<b>27,645</b>
<b>Net Cash Flows</b>	<b>1,821</b>	<b>(2,276)</b>	<b>112,249</b>	<b>(30,887)</b>	<b>80,907</b>
Cash and investments at beginning of period	286,324	13,764	414,413	274,004	988,505
Cash and investments at end of period	<u>\$288,145</u>	<u>\$11,488</u>	<u>\$526,662</u>	<u>\$243,117</u>	<u>\$1,069,412</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>					
Operating income (loss)	(\$176,417)	(\$2,276)	\$78,870	\$24,233	(\$75,590)
<b>Adjustments to reconcile operating income to net cash flows from operating activities:</b>					
Depreciation	177,722				177,722
<b>Change in assets and liabilities:</b>					
Accounts receivable	(1,197)			(23,050)	(24,247)
Accounts and other payables	71,854		8,324	82,953	163,131
Other accrued expenses	2,866		14,389	(121,460)	(104,205)
<b>Cash Flows from Operating Activities</b>	<b>\$74,828</b>	<b>(\$2,276)</b>	<b>\$101,583</b>	<b>(\$37,324)</b>	<b>\$136,811</b>

## STATISTICAL SECTION

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

### ***Financial Trends***

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

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

### ***Revenue Capacity***

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

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

### ***Debt Capacity***

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

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

### ***Demographic and Economic Information***

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

1. Demographic and Economic Statistics
2. Principal Employers

### ***Operating Information***

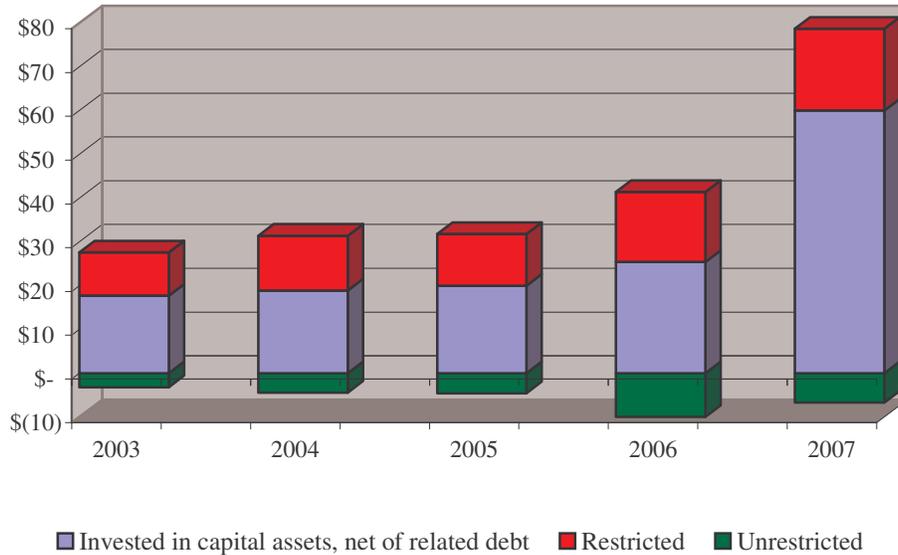
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

### ***Sources***

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

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



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b><i>Governmental activities</i></b>					
Invested in capital assets, net of related debt	\$6.7	\$7.9	\$8.8	\$8.7	\$49.6
Restricted	9.9	12.5	11.8	16.0	18.7
Unrestricted	(6.8)	(8.6)	(8.6)	(10.3)	(10.7)
<b>Total governmental activities net assets</b>	<u>\$9.8</u>	<u>\$11.8</u>	<u>\$12.0</u>	<u>\$14.4</u>	<u>\$57.6</u>
<b><i>Business-type activities</i></b>					
Invested in capital assets, net of related debt	\$11.0	\$11.0	\$11.2	\$16.7	\$10.4
Unrestricted	3.6	4.2	4.0	(0.6)	4.0
<b>Total business-type activities net assets</b>	<u>\$14.6</u>	<u>\$15.2</u>	<u>\$15.2</u>	<u>\$16.1</u>	<u>\$14.4</u>

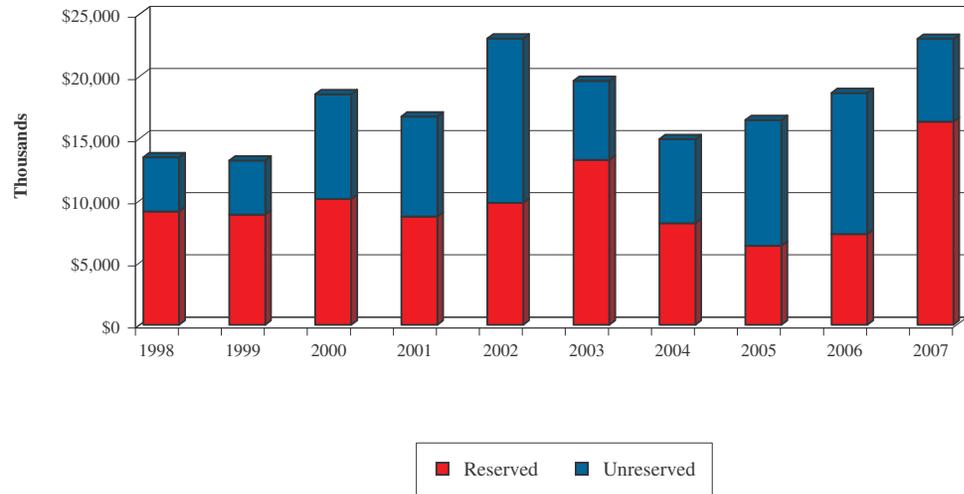
**CITY OF MILLBRAE**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in millions)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental Activities:					
General Government	\$1.4	\$1.3	\$1.4	\$1.8	\$1.9
Public Safety	8.9	9.0	8.8	8.8	6.4
Highway and Streets	4.1	1.8	1.6	1.5	5.6
Culture and Recreation	2.9	2.6	3.1	2.1	1.5
Community Development	1.5	1.3	2.0	3.0	5.3
Interest on Long-Term Debt	1.3	1.6	1.5	2.9	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>
Business-Type Activities:					
Municipal Water System	3.0	3.6	3.5	3.5	3.8
Municipal Wastewater Treatment Facility	3.5	3.7	3.9	4.4	5.2
Storm Drain	0.3	0.3	0.3	0.4	0.4
Total Business-Type Activities Expenses	<u>6.8</u>	<u>7.6</u>	<u>7.7</u>	<u>8.3</u>	<u>9.4</u>
Total Primary Government Expenses	<u><u>26.9</u></u>	<u><u>25.2</u></u>	<u><u>26.1</u></u>	<u><u>28.4</u></u>	<u><u>32.1</u></u>
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services:					
General Government	0.3	0.1	0.1	0.3	0.3
Public Safety	0.6	0.7	0.5	0.7	1.1
Highway and Streets	0.0	0.2	0.2	0.3	0.8
Culture and Recreation	0.5	0.8	0.7	0.9	0.8
Community Development	0.6	1.8	0.5	0.6	2.0
Operating Grants and Contributions	1.6	1.3	1.3	2.8	1.8
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>
Business-Type Activities:					
Charges for Services:					
Municipal Water System	3.2	4.0	3.6	3.9	4.4
Municipal Wastewater Treatment Facility	3.7	3.8	3.8	4.5	5.0
Storm Drain	0.2	0.2	0.2	0.2	0.2
Operating Grants and Contributions					
Capital Grants and Contributions		0.2			
Total Business-Type Activities Program Revenue	<u>7.1</u>	<u>8.2</u>	<u>7.6</u>	<u>8.6</u>	<u>9.6</u>
Total Primary Government Program Revenues	<u><u>12.3</u></u>	<u><u>13.1</u></u>	<u><u>10.9</u></u>	<u><u>14.2</u></u>	<u><u>16.4</u></u>
<b>Net (Expense)/Revenue</b>					
Governmental Activities	(14.9)	(12.7)	(15.1)	(14.5)	(15.9)
Business-Type Activities	0.3	0.6	(0.1)	0.3	0.2
Total Primary Government Net Expense	<u><u>(\$14.6)</u></u>	<u><u>(\$12.1)</u></u>	<u><u>(\$15.2)</u></u>	<u><u>(\$14.2)</u></u>	<u><u>(\$15.7)</u></u>

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

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

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



	Fiscal Year Ended June 30,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$1,112,721	\$1,323,957	\$1,427,152	\$1,334,159	\$1,162,649	\$1,096,756	\$1,086,073	\$1,435,087	\$1,305,552	\$1,714,021
Unreserved	1,860,579	1,573,801	2,175,437	2,058,866	612,204	203,942	(665,816)	117,878	1,399,190	2,982,238
Total General Fund	<u>\$2,973,300</u>	<u>\$2,897,758</u>	<u>\$3,602,589</u>	<u>\$3,393,025</u>	<u>\$1,774,853</u>	<u>\$1,300,698</u>	<u>\$420,257</u>	<u>\$1,552,965</u>	<u>\$2,704,742</u>	<u>\$4,696,259</u> (a)
All Other Governmental Funds										
Reserved	\$8,004,571	\$7,546,532	\$8,700,789	\$7,378,615	\$8,643,242	\$12,167,422	\$7,094,675	\$4,920,951	\$5,994,916	\$14,623,608
Unreserved, reported in:										
Special revenue funds	467,196	1,121,329	1,484,525	1,886,324	882,049	6,496,194	6,827,715	4,145,428	8,575,778	4,042,908
Capital project funds	2,024,945	1,660,594	4,768,211	4,095,787	11,735,854	(334,836)	579,509	5,846,761	1,359,947	(362,503)
Total all other governmental funds	<u>\$10,496,712</u>	<u>\$10,328,455</u>	<u>\$14,953,525</u>	<u>\$13,360,726</u>	<u>\$21,261,145</u>	<u>\$18,328,780</u>	<u>#####</u>	<u>#####</u>	<u>\$15,930,641</u>	<u>\$18,304,013</u>

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

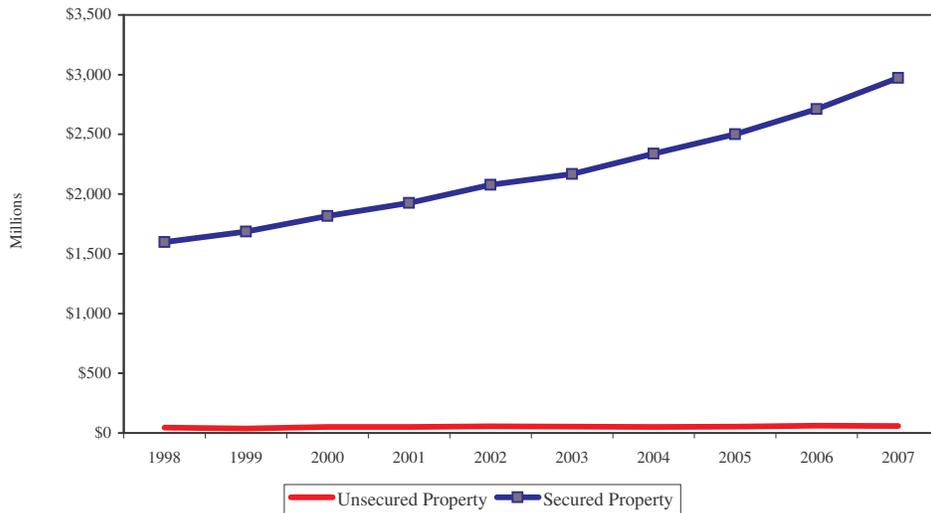
**CITY OF MILLBRAE**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,				
	1998	1999	2000	2001	2002
<b>Revenues</b>					
Taxes	\$10,714,804	\$10,678,131	\$11,789,763	\$12,090,514	\$11,029,412
Licenses, permits and fees	279,401	200,041	242,067	207,245	208,158
Charges for services	1,147,421	1,320,763	1,401,500	1,343,763	1,512,160
Fines and forfeitures	107,868	159,499	197,218	220,302	203,112
Use of money and property	989,498	727,970	923,482	1,419,444	1,327,625
Grants and intergovernmental	6,140,745	4,181,994	5,094,670	8,468,454	6,889,858
Miscellaneous	461,657	399,436	782,045	494,042	381,763
<b>Total Revenues</b>	<b>19,841,394</b>	<b>17,667,834</b>	<b>20,430,745</b>	<b>24,243,764</b>	<b>21,552,088</b>
<b>Expenditures</b>					
Current:					
General government	\$1,279,407	\$1,632,976	\$1,596,499	\$1,937,360	\$1,886,046
Public safety	6,028,503	6,693,460	7,050,614	7,789,589	8,147,357
Highways and streets	1,189,064	1,790,276	1,716,087	2,292,948	2,281,965
Culture and recreation	1,804,948	2,039,148	2,498,675	2,266,262	2,445,562
Community development	5,854,084	3,105,854	2,362,097	3,417,641	2,159,940
Capital outlay	4,858,977	2,017,984	2,320,605	9,727,417	8,398,219
Debt service:					
Principal repayment	402,544	371,790	1,200,729	345,000	335,000
Interest and fiscal charges	592,639	557,811	519,713	742,905	1,011,752
<b>Total Expenditures</b>	<b>22,010,166</b>	<b>18,209,299</b>	<b>19,265,019</b>	<b>28,519,122</b>	<b>26,665,841</b>
Excess (deficiency) of revenues over (under) expenditures	(2,168,772)	(541,465)	1,165,726	(4,275,358)	(5,113,753)
<b>Other Financing Sources (Uses)</b>					
Transfers in	982,921	1,105,682	2,095,624	1,497,150	1,768,029
Transfers (out)	(817,921)	(808,015)	(2,036,450)	(1,185,276)	(1,303,029)
Proceeds from long-term debt			4,105,000	2,161,121	331,000
Payment to retirement plan					
Tax allocation bonds issued					
Library bonds					10,600,000
Sale of capital assets					
<b>Total other financing sources (uses)</b>	<b>165,000</b>	<b>297,667</b>	<b>4,164,174</b>	<b>2,472,995</b>	<b>11,396,000</b>
<b>Net change in fund balances</b>	<b>(\$2,003,772)</b>	<b>(\$243,798)</b>	<b>\$5,329,900</b>	<b>(\$1,802,363)</b>	<b>\$6,282,247</b>
Debt service as a percentage of noncapital expenditures	4.7%	5.4%	9.8%	4.0%	5.3%

**Fiscal Year Ended June 30,**

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$10,990,862	\$11,338,355	\$14,291,554	\$16,191,092	\$17,815,200
334,554	565,594	349,179	474,612	1,044,495
466,764	2,674,024	1,379,653	1,840,334	2,957,931
222,945	291,095	203,223	358,782	700,717
1,200,849	426,685	807,830	763,161	1,562,303
4,774,880	1,940,142	2,004,196	1,129,260	1,271,907
<u>1,442,871</u>	<u>1,958,367</u>	<u>369,532</u>	<u>229,921</u>	<u>406,738</u>
<u>19,433,725</u>	<u>19,194,262</u>	<u>19,405,167</u>	<u>20,987,162</u>	<u>25,759,291</u>
\$1,331,146	\$1,216,074	\$1,162,097	\$1,475,679	\$1,731,518
8,410,205	8,333,506	8,346,122	8,414,172	8,758,410
1,853,430	1,575,042	1,336,560	1,430,631	1,803,807
1,941,713	1,497,215	1,695,953	2,057,200	1,306,120
2,177,272	2,205,659	3,027,175	3,391,005	4,373,645
4,635,161	7,767,178	3,909,191	663,204	2,157,024
370,000	420,000	5,330,000	807,350	379,928
<u>1,211,210</u>	<u>1,510,795</u>	<u>1,205,110</u>	<u>1,231,034</u>	<u>1,238,788</u>
<u>21,930,137</u>	<u>24,525,469</u>	<u>26,012,208</u>	<u>19,470,275</u>	<u>21,749,240</u>
<u>(2,496,412)</u>	<u>(5,331,207)</u>	<u>(6,607,041)</u>	<u>1,516,887</u>	<u>4,010,051</u>
4,477,250	904,673	1,515,967	2,696,763	2,081,633
(3,697,258)	(1,207,173)	(1,954,977)	(2,232,446)	(2,215,841)
	11,521,630		188,074	489,046
	(11,200,000)			
		8,590,000		
	<u>604,755</u>			
<u>779,992</u>	<u>623,885</u>	<u>8,150,990</u>	<u>652,391</u>	<u>354,838</u>
<u>(\$1,716,420)</u>	<u>(\$4,707,322)</u>	<u>\$1,543,949</u>	<u>\$2,169,278</u>	<u>\$4,364,889</u>
7.8%	8.5%	33.6%	11.7%	8.0%

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

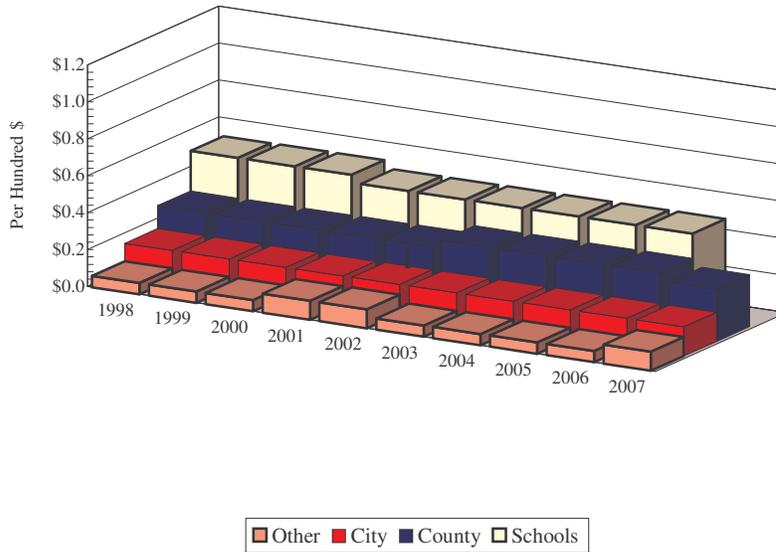


Fiscal Year	Real Property				Total Real Secured Property	Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other					
1998	\$1,309,793,991	\$182,309,182	\$13,697,294	\$45,222,853	\$1,551,023,320	\$45,967,012	\$1,596,990,332	\$1,596,990,332	0.20844%
1999	1,395,801,327	187,892,438	15,927,728	50,616,529	1,650,238,022	36,681,289	1,686,919,311	1,686,919,311	0.19676%
2000	1,502,591,917	200,476,816	15,088,282	48,360,421	1,766,517,436	50,653,981	1,817,171,417	1,817,171,417	0.20830%
2001	1,608,664,847	200,627,615	18,990,823	47,605,315	1,875,888,600	50,169,539	1,926,058,139	1,926,058,139	0.20390%
2002	1,737,618,409	206,401,619	20,210,975	55,944,473	2,020,175,476	56,459,257	2,076,634,733	2,076,634,733	0.20955%
2003	1,830,815,260	205,408,812	22,671,727	56,629,528	2,115,525,327	52,441,765	2,167,967,092	2,167,967,092	0.23229%
2004	1,991,744,482	213,193,265	23,896,936	58,133,646	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.23845%
2005	2,136,349,237	222,231,374	24,110,680	65,446,807	2,448,138,098	53,266,268	2,509,864,869	2,509,864,869	0.23911%
2006	2,327,641,820	233,450,555	27,468,703	60,471,807	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24221%
2007	2,531,324,983	261,604,654	36,210,882	86,252,321	2,915,392,840	57,590,587	2,972,983,427	2,972,983,427	0.25105%

Source: HdL Coren & Cone, San Mateo County Assessor Combined Tax Rolls from 1996-2007

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area. The City of Millbrae encompasses more than 15 tax rate areas.

**CITY OF MILLBRAE  
PROPERTY TAX RATES  
ALL OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Schools</u>	<u>County</u>	<u>City</u>	<u>Other</u>	<u>Total</u>
1998	\$0.5000	\$0.2820	\$0.1580	\$0.0609	\$1.0009
1999	0.5000	0.2820	0.1580	0.0609	1.0009
2000	0.5000	0.2820	0.1580	0.0609	1.0009
2001	0.4580	0.2820	0.1580	0.1029	1.0009
2002	0.4580	0.2820	0.1580	0.1029	1.0009
2003	0.4580	0.3240	0.1580	0.0609	1.0009
2004	0.4580	0.3240	0.1580	0.0609	1.0009
2005	0.4580	0.3240	0.1580	0.0609	1.0009
2006	0.4580	0.3240	0.1580	0.0609	1.0009
2007	0.4580	0.2820	0.1580	0.1029	1.0009

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

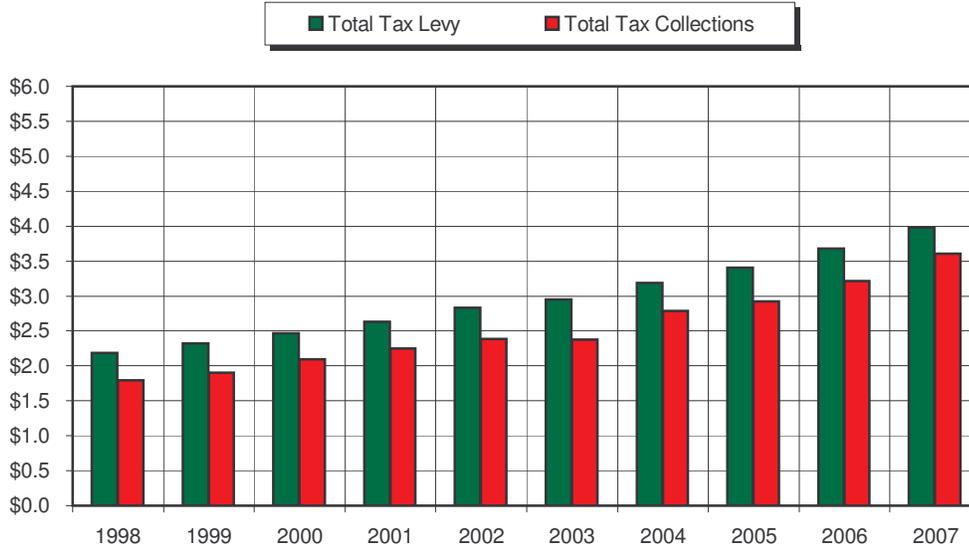
**CITY OF MILLBRAE**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

Taxpayer	2006-07		Taxpayer	1997-98	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Westin Bay Hotel Company	\$43,813,805	1.5%	Westin Bay Hotel Company	\$38,624,018	2.4%
Starwood SF Clarion Realty LLC	33,351,161	1.1%	SLT Realty Limited Partnership	27,983,531	1.8%
Jyh C. Horng	28,042,958	0.9%	Allen A. Beverly M. Sebanc	11,977,975	0.8%
Magnolia of Millbrae Inc.	26,104,668	0.9%	Hertz Realty Corp	10,223,815	0.6%
Marymount Greenhills LLC	19,709,709	0.7%	G W Williams Co	9,985,871	0.6%
Millbrae Paradise LLC	13,089,688	0.4%	Orchard Supply Hardware Corp.	8,480,101	0.5%
Millbrae Town Plaza Limited Partnership	11,071,000	0.4%	Eugene L. Friend	8,313,105	0.5%
Real Property Storage LLC	10,714,665	0.4%	Millbrae Square Co	7,748,931	0.5%
Mary Josephine Brereton Trust	9,962,621	0.3%	Wilms, John & Susan C Trs	7,490,077	0.5%
American Store Properties Inc.	9,693,731	0.3%	Desai Arvind C & I A Trs	5,356,892	0.3%
John Wilms	8,778,659	0.3%	World Journal Inc	5,047,347	0.3%
Desai Trust	7,522,181	0.3%	Wilms, Earl M Tr, Et Al	4,698,371	0.3%
World Journal Inc.	7,242,853	0.2%	Chang, Michael C H, Et Al	4,200,000	0.3%
Osh Acquisition Corporation	8,986,000	0.3%	McCloskey, Kenneth D & C M	4,007,824	0.3%
Millbrae Square Company	6,100,940	0.2%	Mandalay Holdings I Inc.	3,917,672	0.2%
Ramkabir LLC	5,753,629	0.2%	O'Neill Daniel C	3,891,259	0.2%
EMJP Partners Limited Partnership	5,677,991	0.2%	Muzzi, Vincent A	3,865,867	0.2%
Paul D. Wright	5,162,342	0.2%	California Lucky Man Enterprise:	3,835,599	0.2%
Poplar Apartments LLC	4,637,647	0.2%	Liu, Kan-Ping, Et Al	3,600,000	0.2%
California Lucky Man Enterprises	4,571,305	0.2%	U C Construction Company	3,020,026	0.2%
Nan Hai USA Company Inc.	4,336,056	0.1%	Fatica Bruno & Tina Trs	3,218,184	0.2%
Donna Suk Ting Ngai	4,580,218	0.2%	SLT SF Clarion LLC	3,405,137	0.2%
Daniel N. Tiao	3,823,470	0.1%	Prime Development Corporation	2,597,000	0.2%
Joseph T. Fitzpatrick Trust	3,599,302	0.1%	G. Edger Roders Jr.	2,864,806	0.2%
Steve H. Lin	3,556,278	0.1%	Boral Bank & Company Trust	2,342,386	0.1%
Subtotal	<u>\$289,882,877</u>	<u>9.8%</u>		<u>\$190,695,794</u>	<u>11.9%</u>
Total Net Assessed Valuation:					
Fiscal Year 2006-2007	\$2,972,983,427				
Fiscal Year 1997-1998	\$1,596,990,332				

Source:HdL Coren & Cone, San Mateo County Assessor 1997/1998 and 2006/2007 Combined Tax Rolls  
\*Listed in descending order, with the top property taxpayer listed first.

**CITY OF MILLBRAE  
STATISTICS**

**PROPERTY TAX LEVIES AND COLLECTIONS  
Last Ten Fiscal Years**

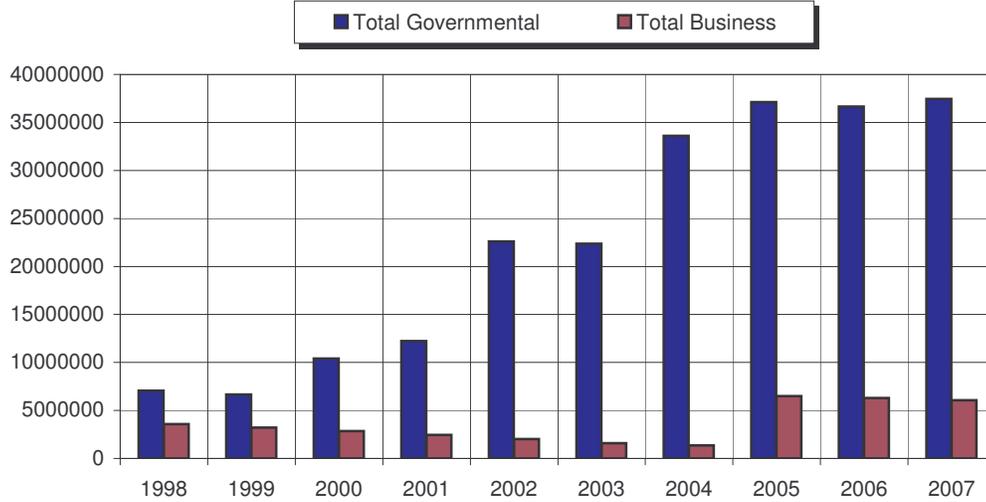


Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
1998	\$2,189,538	\$1,786,581	81.5963%	\$2,736	\$1,789,317	81.7212%
1999	2,318,067	1,891,759	81.6093%	15,585	1,907,344	82.2817%
2000	2,469,184	2,036,108	82.4608%	55,515	2,091,623	84.7091%
2001	2,634,125	2,167,317	82.2784%	80,350	2,247,667	85.3288%
2002	2,829,892	2,336,584	82.5680%	46,414	2,382,998	84.2081%
2003	2,950,755	2,383,880	80.7888%	(3,194)	2,380,686	80.6806%
2004	3,182,827	2,623,965	82.4413%	165,925	2,789,890	87.6545%
2005	3,408,015	2,812,240	82.5184%	114,656	2,926,896	85.8827%
2006	3,682,039	2,952,070	80.1749%	258,862	3,210,932	87.2053%
2007	3,980,054	3,242,096	81.4586%	360,552	3,602,648	90.5176%

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

Source: County of San Mateo Controller's Office publication and City of Millbrae financial records.

**CITY OF MILLBRAE  
STATISTICS  
RATIO OF OUTSTANDING DEBT BY TYPE  
Last Ten Fiscal Years**



**Governmental Activities**

Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Loans	Total
1998	\$200,000		\$5,825,000		\$910,000	\$108,560	\$7,043,560
1999	175,000		5,640,000		805,000	55,729	6,675,729
2000	150,000		5,445,000	\$4,105,000	690,000		10,390,000
2001	120,000		5,300,000	4,055,000	570,000	2,177,623	12,222,623
2002	10,690,000		5,225,000	3,955,000	440,000	2,294,997	22,604,997
2003	10,660,000		5,130,000	3,850,000	300,000	2,419,056	22,359,056
2004	10,610,000	\$11,521,630	5,015,000	3,745,000	150,000	2,549,443	33,591,073
2005	10,555,000	11,657,290	8,590,000	3,635,000		2,686,858	37,124,148
2006	10,520,000	12,904,106	8,540,000	3,520,000		1,180,724	36,664,830
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940

**Business-type Activities**

Fiscal Year	Water Lease Purchase	Sewer Bank Loan	Total	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
1998	\$989,677	\$2,576,800	\$3,566,477	\$10,610,037	0.04%	\$487
1999	810,858	2,400,700	3,211,558	9,887,287	0.03%	458
2000	622,953	2,214,800	2,837,753	13,227,753	0.04%	612
2001	425,502	2,018,500	2,444,002	14,666,625	0.04%	699
2002	218,021	1,811,300	2,029,321	24,634,318	0.06%	1,184
2003		1,592,600	1,592,600	23,951,656	0.07%	1,156
2004		1,361,700	1,361,700	34,952,773	0.09%	1,708
2005		6,486,209	6,486,209	43,610,357	0.11%	2,106
2006		6,286,001	6,286,001	42,950,831	0.12%	2,071
2007		6,076,171	6,076,171	43,540,111	0.10%	2,077

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

(a) 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)

**CITY OF MILLBRAE**  
**Ratio of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b><u>General Bonded Debt Outstanding</u></b>		<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>Storm Water / Library Bonds</b>	<b>Total</b>		
1998	\$200,000	\$200,000	0.01%	\$9.18
1999	175,000	175,000	0.01%	8.10
2000	150,000	150,000	0.01%	6.94
2001	120,000	120,000	0.01%	5.72
2002	10,690,000	10,690,000	0.51%	513.60
2003	10,660,000	10,660,000	0.49%	514.63
2004	10,610,000	10,610,000	0.45%	518.45
2005	10,555,000	10,555,000	0.42%	509.71
2006	10,520,000	10,520,000	0.39%	507.35
2007	10,475,000	10,475,000	0.35%	499.64

**CITY OF MILLBRAE  
STATISTICS**

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**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

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**June 30, 2007**

2006 / 2007 Assessed Valuation	\$2,963,986,895
Redevelopment Incremental Valuation	346,668,433
<b>ADJUSTED ASSESSED VALUATION</b>	<b><u>\$2,617,318,462</u></b>

	Net Debt Outstanding	Percentage Applicable (a)	Amount Applicable
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u></b>			
San Mateo Community College District	\$662,864,994	2.339%	\$15,504,412
San Mateo Union High School District	126,054,950	6.709%	8,457,027
Millbrae School District Maintenance Assessment District	240,000	55.639%	133,534
<b>City of Millbrae</b>	<b><u>10,475,000</u></b>	<b><u>100.000%</u></b>	<b><u>10,475,000</u></b>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b><u>\$34,569,972</u></b>
<b><u>OVERLAPPING GENERAL FUND OBLIGATION DEBT</u></b>			
San Mateo County General Fund Obligations	\$401,964,816	2.339%	\$9,401,957
San Mateo County Mosquito Abatement District Certificates of Participati	1,040,000	3.254%	33,842
San Mateo County Board of Education Certificates of Participation	13,680,000	2.339%	319,975
San Mateo Union High School District 201 Certificates of Participation	74,516,236	6.709%	4,999,294
Millbrae School District Certificates of Participation	3,700,000	55.639%	2,058,643
<b>City of Millbrae Certificates of Participation</b>	<b><u>3,400,000</u></b>	<b><u>100.000%</u></b>	<b><u>3,400,000</u></b>
<b>City of Millbrae Pension Obligations</b>	<b><u>11,521,630</u></b>	<b><u>100.000%</u></b>	<b><u>11,521,630</u></b>
<b>TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b><u>\$31,735,341</u></b>
<b>COMBINED TOTAL DEBT</b>			<b><u>\$66,305,314</u></b> (b)

**RATIOS TO 2006-07 ASSESSED VALUATION**

<b>Direct Debt (\$10,475,000)</b>	<b>0.35%</b>
Total Direct and Overlapping Tax Assessment Debt	1.17%

**RATIOS TO ADJUSTED ASSESSED VALUATION**

<b>Combined Direct Debt (\$25,396,630)</b>	<b>0.97%</b>
Combined Total Debt	2.53%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07

- (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 and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**CITY OF MILLBRAE  
COMPUTATION OF LEGAL BONDED DEBT MARGIN  
JUNE 30, 2007**

ASSESSED VALUATION:

Secured property assessed value	\$2,972,983,427
Deduct: exempt real property	<u>(9,049,268)</u>
	<u><u>\$2,963,934,159</u></u>

BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	<u>\$111,147,531</u>
---	----------------------

AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	12,572,002
Less Pension Obligation Bonds	<u>6,286,001</u>
Amount of debt subject to limit	<u>6,286,001</u>

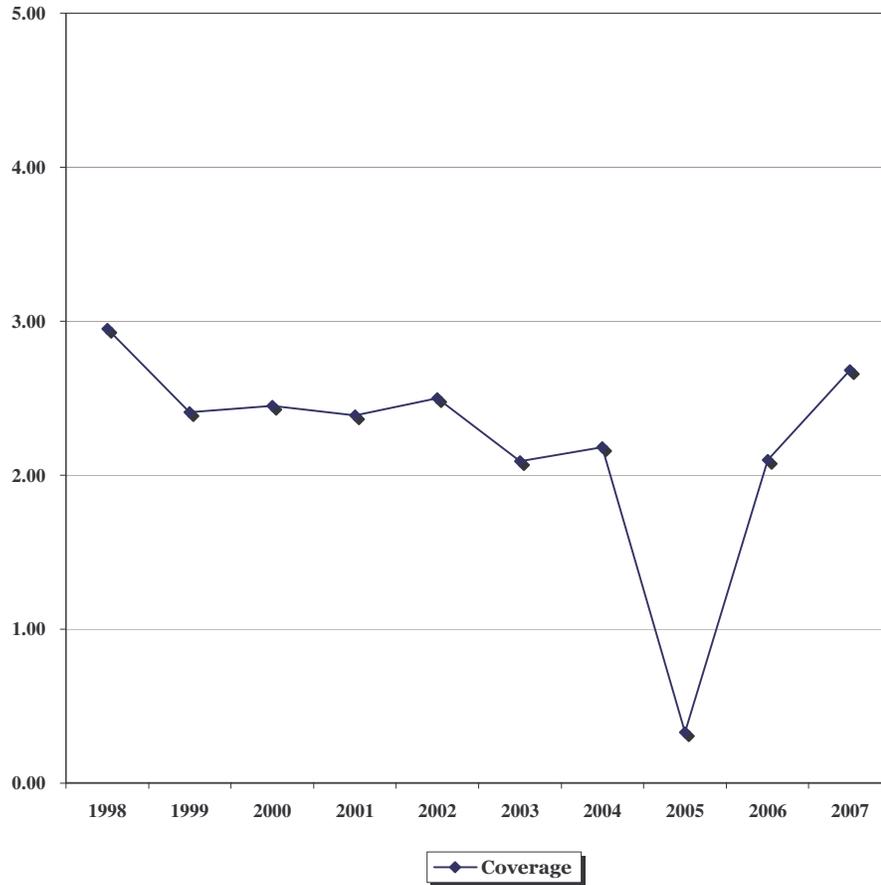
LEGAL BONDED DEBT MARGIN	<u><u>\$104,861,530</u></u>
--------------------------	-----------------------------

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
1998	\$60,116,690	\$192,915	\$59,923,775	0.32%
1999	63,479,705	165,607	63,314,098	0.26%
2000	68,365,480	137,331	68,228,149	0.20%
2001	72,494,311	105,316	72,388,995	0.15%
2002	78,109,553	10,365,019	67,744,534	15.30%
2003	83,073,302	10,275,951	72,797,351	14.12%
2004	88,115,231	21,715,716	66,399,515	32.70%
2005	94,117,856	10,097,935	84,019,921	12.02%
2006	100,459,141	10,520,000	89,939,141	11.70%
2007	111,147,531	6,286,001	104,861,530	5.99%

NOTE:

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

**CITY OF MILLBRAE  
SEWER FUND REVENUE BOND AND LOAN COVERAGE  
SEWER AUTHORITY  
LAST TEN FISCAL YEARS**



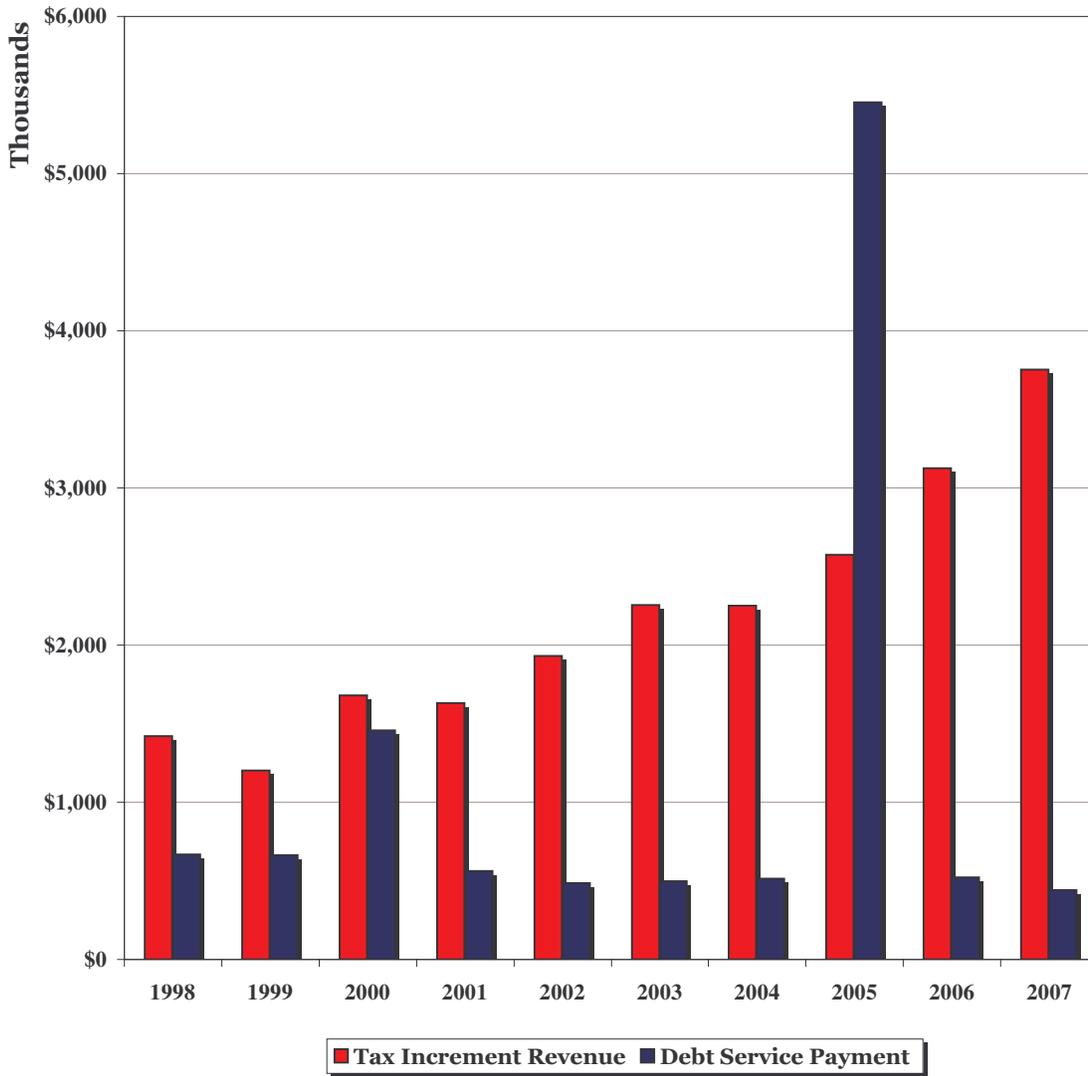
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998	\$2,969,407	\$2,064,133	\$905,274	\$166,900	\$140,155	\$307,055	2.95
1999	3,100,313	2,085,853	1,014,460	261,254	159,053	420,307	2.41
2000	3,271,657	2,241,865	1,029,792	275,380	144,482	419,862	2.45
2001	3,302,898	2,298,546	1,004,352	290,326	129,118	419,444	2.39
2002	3,711,320	2,663,157	1,048,163	306,002	112,922	418,924	2.50
2003	3,796,303	2,922,565	873,738	322,521	95,850	418,371	2.09
2004	3,840,717	3,166,274	674,443	230,900	77,850	308,750	2.18
2005	3,844,013	3,362,695	481,318	1,361,700	104,717	1,466,417	0.33
2006	4,700,114	3,638,729	1,061,385	200,208	305,745	505,953	2.10
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue

(2) Includes all Wastewater Operating Expenses less Depreciation

Source: City of Millbrae financial records

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



Fiscal Year	Gross Tax Increment Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
1998	\$1,422,878	\$180,000	\$489,166	\$669,166	2.13
1999	1,202,387	185,000	480,589	665,589	1.81
2000	1,678,181	1,005,000	451,214	1,456,214	1.15
2001	1,630,151	145,000	416,611	561,611	2.90
2002	1,931,479	75,000	411,736	486,736	3.97
2003	2,256,852	95,000	404,547	499,547	4.52
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53

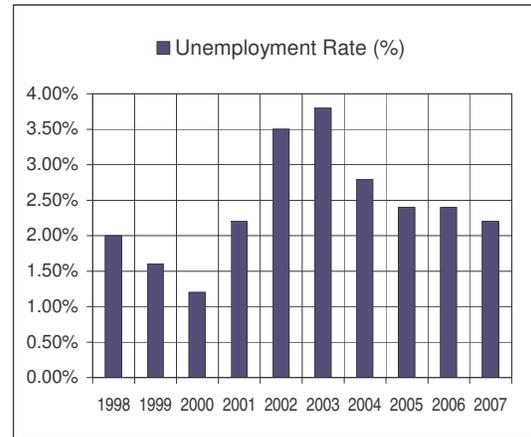
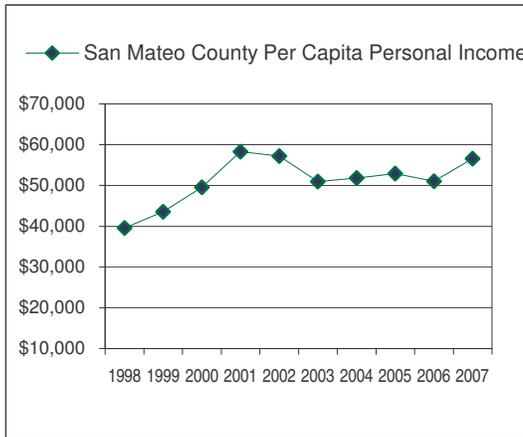
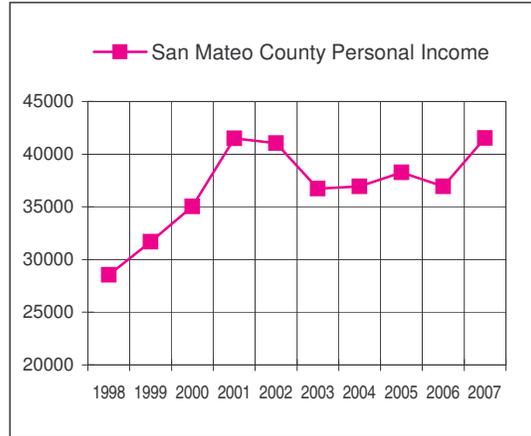
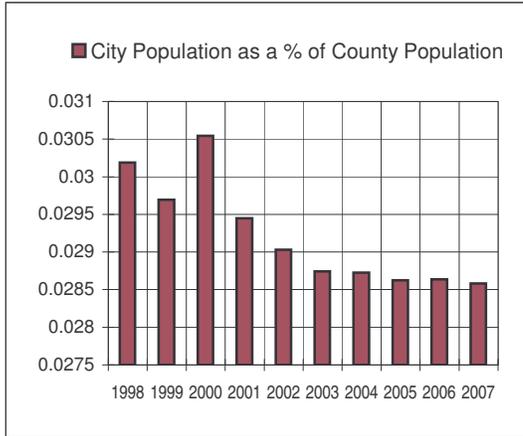
Source: City of Millbrae Financial Reports

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

**CITY OF MILLBRAE  
STATISTICS**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**Last Ten Fiscal Years**



Fiscal Year	City Population	San Mateo County Personal Income	San Mateo County Per Capita Personal Income	Unemployment Rate (%)	San Mateo County Population	City Population % of County
1998	21,779	\$28,537	\$39,558	2.0%	721,400	3.02%
1999	21,597	\$31,688	\$43,569	1.6%	727,300	2.97%
2000	21,600	\$35,028	\$49,533	1.2%	707,161	3.05%
2001	20,979	\$41,512	\$58,271	2.2%	712,400	2.94%
2002	20,814	\$41,039	\$57,237	3.5%	717,000	2.90%
2003	20,714	\$36,725	\$50,962	3.8%	720,630	2.87%
2004	20,465	\$36,941	\$51,854	2.8%	712,400	2.87%
2005	20,708	\$38,264	\$52,891	2.4%	723,453	2.86%
2006	20,735	\$36,941	\$51,016	2.4%	724,104	2.86%
2007	20,965	\$41,516	\$56,600	2.2%	733,496	2.86%

Source: State of California - Department of Finance and San Mateo County Controller's Office.

**CITY OF MILLBRAE  
STATISTICS**

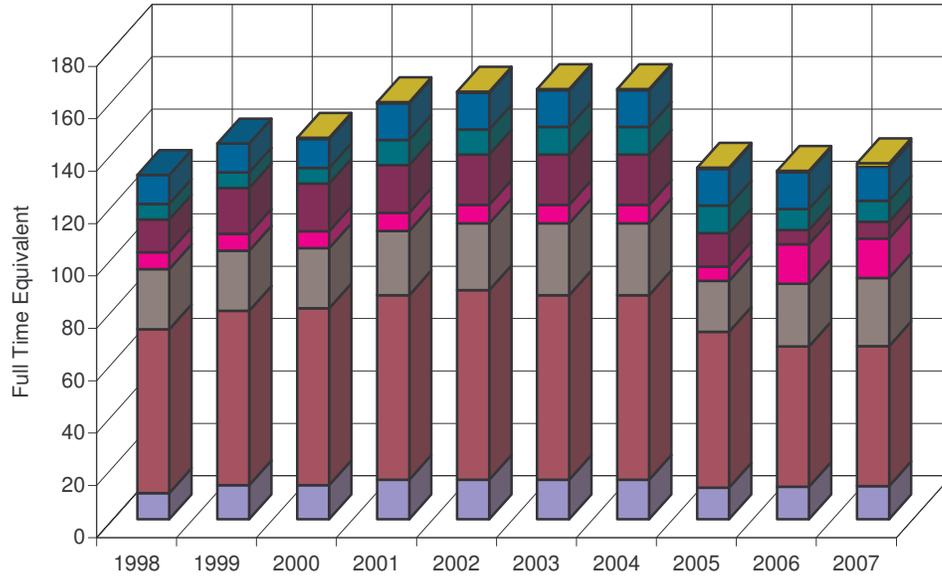
**PRINCIPAL EMPLOYERS  
Last Two Fiscal Years**

	2006			2007		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
<b>Employer</b>						
City and County of San Francisco	300	1	1.4%	300	1	1.4%
Millbrae School District	225	2	1.1%	225	2	1.1%
Starwood Hotels & Resorts	200	3	1.0%	200	3	1.0%
El Rancho Motel Inc	168	4	0.8%	168	4	0.8%
City of Millbrae	133	5	0.6%	135	5	0.6%
San Mateo Union High School	130	5	0.6%	130	6	0.6%
Pleasant Care Corp	130	5	0.6%	130	7	0.6%
Millbrae Serra Sanitarium	125	8	0.6%	125	8	0.6%
Mervyn's LLC	112	9	0.5%	112	9	0.5%
Albertson's LLC	100	10	0.5%			
Sprint Communications Co LLP				100	10	0.5%
<b>Total</b>	<u>1,623</u>		<u>7.8%</u>	<u>1,625</u>		<u>7.8%</u>
<b>Total City Day Population</b>	<u>20,708</u>			<u>20,965</u>		

Note: Information for nine years ago is not available  
Source: City of Millbrae Community Development Department

**CITY OF MILLBRAE**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
Last Ten Fiscal Years**



Function:	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	10.00	13.00	13.00	15.00	15.00	15.00	15.00	12.00	12.42	12.62
Public Safety	62.50	66.50	67.50	70.50	72.50	70.50	70.50	59.50	53.50	53.50
Public Works	23.00	23.00	23.00	24.50	25.50	27.50	27.50	19.50	24.00	26.00
Community Development	6.40	6.40	6.40	7.00	7.00	7.00	7.00	5.50	15.00	15.00
Culture and Recreation	12.50	17.50	18.25	18.25	19.25	19.25	19.25	12.75	5.50	6.50
Water	6.00	6.00	6.00	9.50	9.50	10.50	10.50	10.50	8.00	8.00
Wastewater	11.00	11.00	11.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00
Solid Waste			0.50	0.50	0.50	0.50	0.50	0.50	0.60	1.25
<b>Total</b>	<b>131.40</b>	<b>143.40</b>	<b>145.65</b>	<b>159.25</b>	<b>163.25</b>	<b>164.25</b>	<b>164.25</b>	<b>134.25</b>	<b>133.02</b>	<b>135.87</b>

**CITY OF MILLBRAE  
STATISTICS**

**OPERATING INDICATORS BY FUNCTION / PROGRAM  
Last Two Fiscal Years**

(Information prior to 2006 is not available)

Function / Program	2006	2007
Public Safety:		
Fire		
Emergency Responses	2,505	2,620
Primary Fire Inspections Conduct	214	284
Police		
Communication Center Calls Ans	6,001	13,732
Police Calls for Service	13,074	19,159
Part I and Part II crimes	1,524	1,219
Physical Arrests (adult and juveni	691	627
Traffic Violations	1,744	2,376
Parking Violations	5,252	4,391
Public Works:		
Street Resurfacing (miles)	Data Not Available	2
Potholes Repaired (square miles)	Data Not Available	0.00005739
Culture and Recreation:		
Community Services		
Recreation Class Participants	7,000	8,500
Performing Arts Performances	7	10
Library		
Volumes in Collection	71,000	100,000
Total Volumes Borrowed	446,700	503,000
Water:		
Water Service Connections	6,200	6,437
Water Main Breaks	7	7
Average Daily Consumption (gallons)	2,725,000	2,367,000
Wastewater:		
Sewer Service Connections	6,200	6,437
Storm Drain Inlets	700	700
Sewer Main Blockages	62	51
Average Daily Treatment (gallons)	2,200,000	1,700,000
Solid Waste:		
Recyclables Processed (tons per year	7,506	3,292

Source: City of Millbrae

**CITY OF MILLBRAE  
STATISTICS**

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**CAPITAL ASSET BY FUNCTION / PROGRAM**

**Last Two Fiscal Years**

(Information prior to 2006 is not available)

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

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

Source: City of Millbrae GIS System