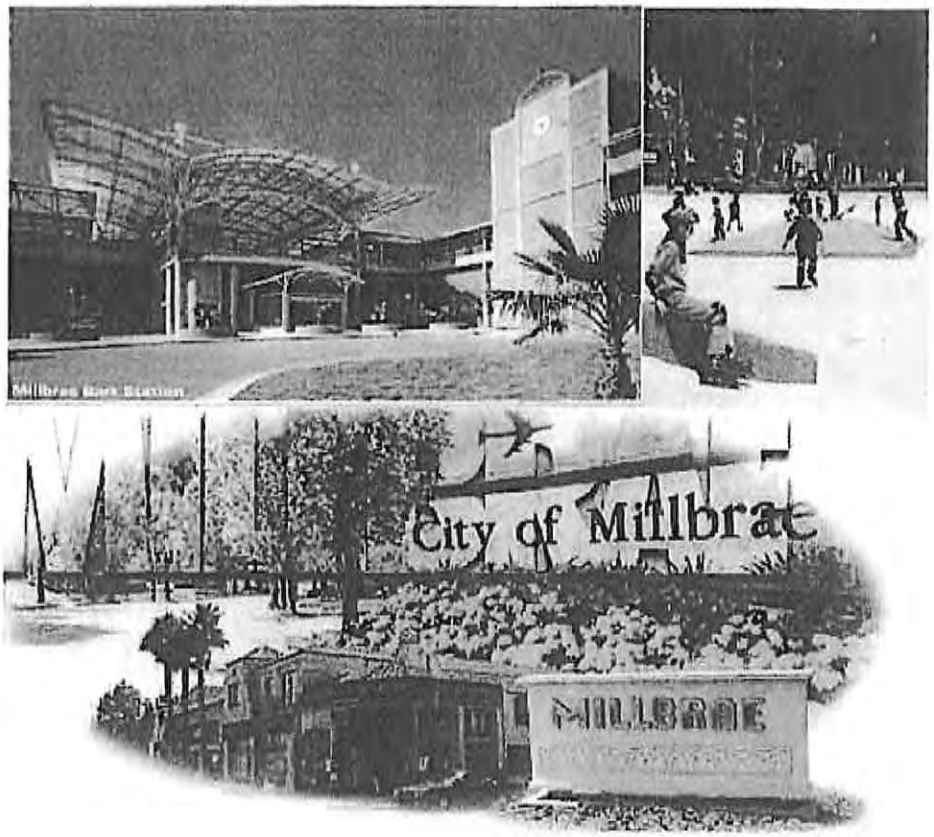
City of Millbrae
California

Comprehensive Annual Financial Report



For the year ended
June 30, 2013

CITY OF MILLBRAE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

Prepared by

FINANCE DEPARTMENT

CITY OF MILLBRAE, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

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City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

WAYNE J. LEE
Mayor

ROBERT G. GOTTSCHALK
Vice Mayor

MARGE COLAPIETRO
Councilwoman

ANNE OLIVA
Councilwoman

REUBEN HOLOBER
Councilman

March 5, 2014

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). The City Council has taken a proactive approach implementing drastic cost savings measures to streamline operations while maintaining service levels within the community. Our number one priority is to be efficient and effective in delivering city services to the people of Millbrae. The City's Police Department has transitioned to contract services through the San Mateo County Sheriff's Office and our Fire Department administration and training have been consolidated with the Central County Fire and San Bruno Fire Departments. Bond debts have been refinanced, staff have made compensation concessions including furloughs, benefit reductions, and salary freezes over the past several years and staffing levels have been significantly reduced. Out of state travel has been discontinued, consolidated purchasing has been implemented to achieve volume discounts, and paperless practices have been implemented where practical.

The City Council's efforts are evident in this year's financial highlights. Fund balances are increasing, and the City's Net Position is gaining, all of which better positions the City to address a multitude of unfunded liabilities and capital needs. However, despite current year gains, several General Fund revenues have declined including sales tax, fees for service, franchise taxes, and fines and forfeitures, which is an indication that the City should plan conservatively. Strategic financial planning continues as the City's financial position improves with the ultimate goal being achievement of financial sustainability for the City of Millbrae for years to come.

This report presents the financial position, and the changes in the financial position, for the fiscal year ending June 30, 2013. 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 an 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

City Council/City Manager/City Clerk
(650) 259-2334

Building Division/Permits
(650) 259-2330

Community Development
(650) 259-2341

Finance
(650) 259-2350

Fire
(650) 259-2400

Police
(650) 259-2300

Public Works/Engineering
(650) 259-2339

Recreation
(650) 259-2360

and regulations. Because the cost of internal controls should not outweigh their benefits, the City's 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.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basis financial statements. The Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is meant to be read in combination with, and is designed to complement, the MD&A.

Profile of the Government

The City, incorporated in 1948, is located adjacent to the San Francisco International Airport (SFO) and is 15 miles south of San Francisco in the heart of San Mateo County. The City encompasses 3.3 square miles, and serves a population of over 22,200.

The City operates according to the Council-City Manager form of government, which vests authority in an elected City Council. The City Council is comprised of five members elected by City residents. The City Council is the City's legislative and policy-making body. The City Council appoints the City Manager who is responsible for overall administration of the City. In addition to the appointment of the City Manager, the City Council appoints the City Attorney and members of the City's boards and commissions.

The City provides a full range of services including law enforcement, and fire protection; the construction and maintenance of highways, streets, and other infrastructure; community development; planning and inspections; manages recreational activities and cultural events; and provides water, and sewer utility services.

Budget Process

The City adopts an annual budget for all funds. The City uses the budget to establish its goals and program priorities, and identify the resources required to achieve the desired service levels for the upcoming fiscal period. 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.

The Local Economy

Property tax continues to be the largest revenue source for the City. Property values in the City have

continued to show year over year growth for each of the past five years. According the San Mateo County Assessor, as of January 1, 2013, the City had 7,203 parcels with a combined value of $4.04 billion. This is an increase in value of 6.03% when compared to the assessment rolls as of January 1, 2012.

The City's second largest source of general fund revenue is transient occupancy taxes. The City has experienced a year over year increase in this tax of 27% due largely to the reopening of a major hotel.

Sales Tax is also a major revenue source for the City. According to the Department of Finance, Sales Tax revenues are down Statewide due to the expiration of the payroll tax holiday, slow growth in wages and continued reaction to the economic downturn in recent years. The City's Sales Tax revenues have had a modest single year decrease of 1.5%. The diversity of the City's economic community has helped to minimize the City's loss of Sales Tax revenues. The City includes a mix of retail, shopping, restaurants, service businesses, hotels and public services. The City also houses a BART Station which was the first regional rail system in the San Francisco Bay Area. This unique station, which is connected to and is adjacent to the San Francisco International Airport (SFO), allows BART, CalTrain and SamTrans to connect under one roof, thereby maximizing regional travel options for passengers in the San Francisco Bay Area.

Independent Audit

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 ending June 30, 2013, 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, 2013. The Independent Auditors' Report is presented as the first item under the Financial Section of this report.

Award

The Government Finance Officer's Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for fiscal year ending June 30, 2012. This was the nineteenth (19) consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine eligibility for another certificate.

Acknowledgements

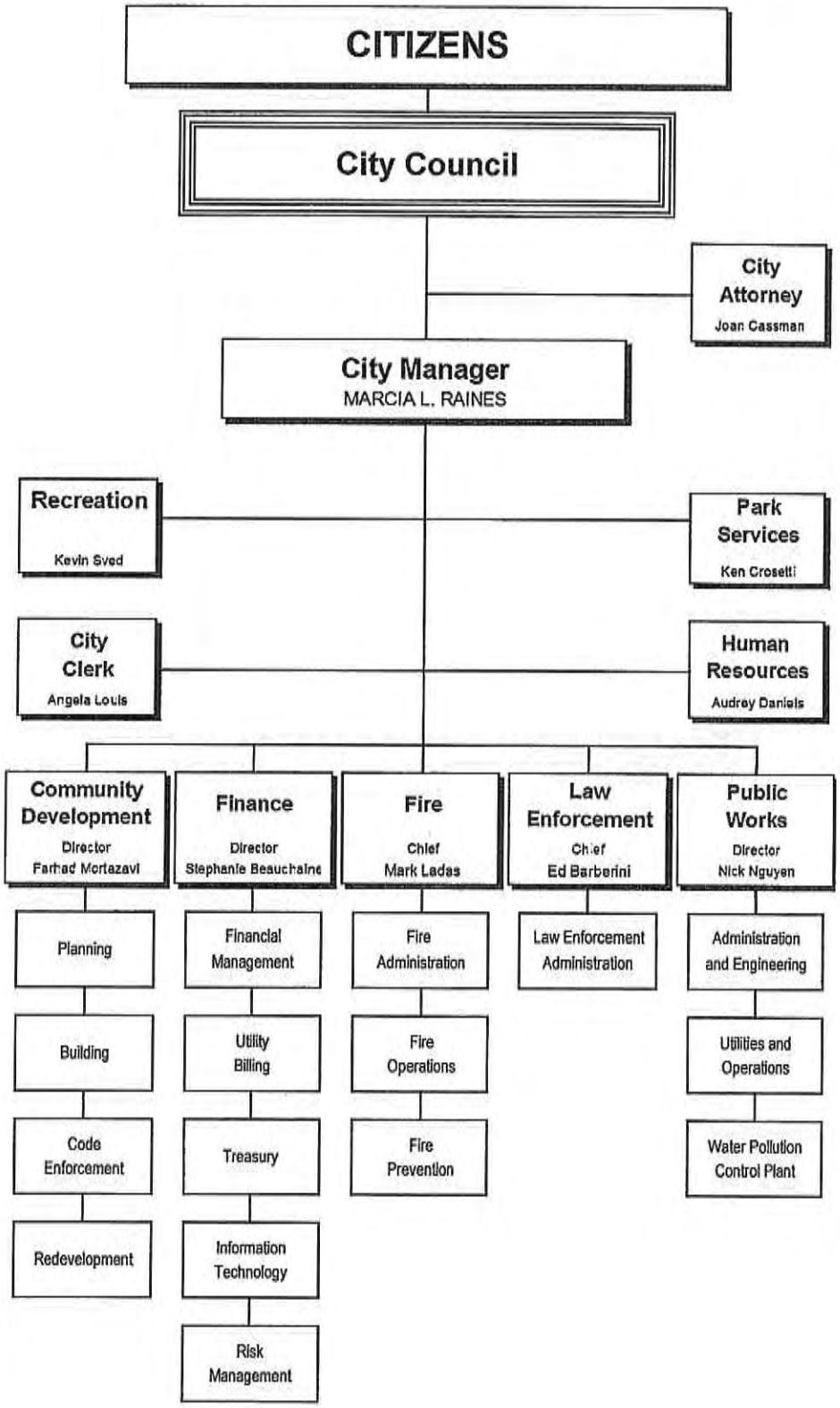
The preparation of this CAFR would not have been possible without the efficient, dedicated efforts of the City's Finance Department, the auditing firm of Maze & Associates, and the cooperation of numerous departments throughout the City. In addition, I would like to acknowledge and thank the City Council for their leadership and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Stephanie Beauchaine

Stephanie Beauchaine
Finance Director

ORGANIZATION CHART



City of Millbrae
Our Values

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

- ***Quality:***

  We will produce nothing less than superior, high quality products and services. The public and our colleagues deserve nothing less.

- ***Customer Service:***

  Service to people is what we're about. We will provide products and services which meet the changing needs of the community. We will always provide services with respect, courtesy, warmth and responsiveness

- ***Integrity and Honesty:***

  Honesty, openness, fair-dealing and the highest ethical behavior are the foundation for our work

- ***Innovation:***

  We encourage our colleagues and the public to suggest new ideas for improving our products and services, and for doing things more efficiently and effectively

- ***Teamwork:***

  Teamwork is each of us working together to reach a common goal. Teamwork is accomplished when each member contributes their unique abilities, actively communicates and supports each other

- ***Colleagues:***

  We recognize, from managers to line workers, we are colleagues working toward a common goal, accomplishment of the City's overall mission. Each of us should share in the City's success which we make possible

- ***Pride and Enjoyment In Our Work:***

  We believe our work should be a source of personal enjoyment and satisfaction. We accept the challenge to promote a work place in which pride, personal enjoyment, and satisfaction can flourish

- ***Action Orientation:***

  We are an organization which is decisive. We will act without delay, after considering alternative and implications. We are proud of our ability to respond quickly and effectively to emergencies and changing priorities

- ***Citizen Participation:***

  We are committed to keeping the public informed by using a variety of communication networks. Effective public policy depends on achievement of community consensus

- ***Cultural Diversity:***

  The world in which we live is always changing. We recognize the need to adapt to meet all new challenges within our community and surrounding region. We will be sensitive to the differing cultural and personal needs of our community

- ***Legal Responsibility:***

  We accept the challenge to actively participate in legislative activities; supporting that with which we agree and opposing that with which we disagree. We will endeavor to know and comply with all Federal and State mandates

- ***Regional Responsibility:***

  Our City is a part of a large, interdependent metropolitan area. We will actively participate in regional planning to serve the best interests of our City and the region

- ***Planning:***

  We are a forward-looking organization, continuously assessing trends and developments which will impact our Mission. We seek to satisfy current needs in a manner which helps obtain our long-range goals

City of Millbrae
Our Purposes

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

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

- ***Democratic, Local, Self-government:***
  Determination of needs, priorities, and policies by local residents through democratically elected representatives
- ***Public Health and Safety:***
  Providing an environment free from disease, pollution, crime, fire and conditions injurious to public health and well being
- ***Physical, Cultural, and Social Well-Being:***
  Providing facilities and programs for our residents to help meet their needs for socialization, recreation, and cultural and spiritual growth
- ***Economic Prosperity:***
  To create conditions which will promote strong sales and trade in our business sector, and a strong tax base to support local government services
- ***Environmental Protection:***
  To promote conversation 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

Government Finance Officers Association

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, 2012

Executive Director/CEO

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Millbrae, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund of the City of Millbrae as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and had material effects on the financial statements:

- GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
February 4, 2014

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, 2013. 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 global financial crisis has affected every corner of the world, and over the past decade the U.S. economy has suffered the largest economic downturn since the Great Depression. The City of Millbrae has not been shielded from this crisis. As a result, the City has experienced declining revenues in the recent past, and despite slow economic growth revenues are projected to remain stagnant with modest recovery.

The City has been faced with significant financial challenges in its quest for financial sustainability. Many factors have come into play including the loss of tax increment financing from the dissolution of Redevelopment, resulting in lost revenue documented this year as $1.7 million; the Fire Assessment which is scheduled to sunset in Fiscal-Year 2013—2014 could represent a cumulative revenue loss of $7.5 million over the next five years; retiree medical is estimated to increase $317 thousand per year; the City's Other Post Employment Benefits (OPEB) Liability was estimated at $14.4 million in the 2012 Actuarial Accrued Liability (AAL) Report of which only $2.2 million has been assigned as of June 30, 2013; the City's Pension Obligation Bond payments are scheduled to increase by $180 thousand over the next five years; and in addition, the City has documented a total of $6.7 million in unfunded upcoming capital needs.

The City Council has taken a proactive approach implementing drastic cost savings measures to streamline operations while maintaining service levels within the community. Our number one priority is to be efficient and effective in delivering city services to the people of Millbrae. The City's Police Department has transitioned to contract services through the San Mateo County Sheriff's Office and our Fire Department administration and training have been consolidated with the Central County Fire and San Bruno Fire Departments. Bond debts have been refinanced, staff have made compensation concessions including furloughs, benefit reductions, and salary freezes over the past several years and staffing levels have been significantly reduced and administration has been streamlined. Out of state travel has been discontinued, consolidated purchasing has been implemented to achieve volume discounts, and paperless practices have been implemented where practical.

The City Council's efforts are evident in this year's financial highlights. Fund balances are increasing, and the City's Net Position is gaining, all of which better positions the City to address a multitude of unfunded liabilities and capital needs. However, despite current year gains, several General Fund revenues have declined including sales tax, fees for service, franchise taxes, and fines and forfeitures which is an indication that the City should plan conservatively. Strategic financial planning continues as the City's financial position improves with the ultimate goal being achievement of financial sustainability for the City of Millbrae for years to come.

- The City's cumulative Governmental Fund Balances increased by $5.67 million (30.4%) to $24.3 million compared to $18.6 million for the prior fiscal year.

- The City's total net position as of June 30, 2013 is $98.2 million as compared to $90.6 million at June 30, 2012. This represents an overall increase of $7.6 million (8.3%) consisting of an increase of $5 million (7.8%) in governmental activities and an increase of $2.6 million (9.7%) in business type activities.
- This CAFR includes the first four months of savings achieved by contracting police services with the San Mateo County Sherriff's Office. Total saving this year are estimated at just under $1.3 million.
- The Water Pollution Control Plant Renovation project was completed in February of 2013. This project has resulted in waste water treatment efficiencies through the replacement of antiquated equipment, the addition of a new ADA compliant office space, an influent structure with a 1.2 million gallon flow equalization tank, and an effluent pump station.

OVERVIEW OF THE FINANCIAL STATEMENTS

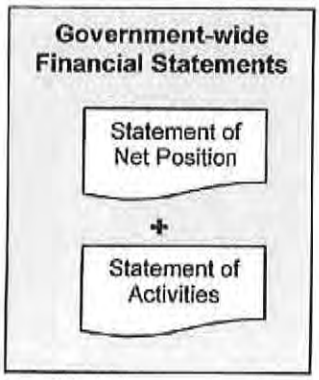
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The 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 Notes to the Basic Financial statements provide more details to the specific components of the City's operations. This report includes the required, supplementary and statistical information.

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

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

Government-wide Financial Statements

The Government-wide Financial Statements consist of the following two financial statements: 1) Statement of Net Position; 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 Position*** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position.

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

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

Fund Financial Statements

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

Fund

A separate accounting entity with a self-balancing set of accounts

Fund Categories

Governmental Funds
Proprietary Funds
Fiduciary Funds

Governmental Funds

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

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

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

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

Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers, or internal departments or agencies of the City. The City maintains two types of Proprietary Funds: Enterprise Funds and Internal Service 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 is this report. The City utilizes Internal Service Funds for the following:

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

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Required Supplemental Information

This section contains the Budget versus Actual Statements for the General Fund.

Other Information

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

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Government's financial position.

As shown on the next table, the City's net position was $98.2 million as of June 30, 2013 compared to $90.6 million at June 30, 2012. This represents an 8.3% increase. Net position increased by approximately $5 million in governmental activities; while those from business-type activities increased by $2.6 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION
June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
ASSETS						
Current and other Assets	43,602,100	48,784,229	20,092,952	19,342,921	63,695,052	68,127,150
Capital Assets	56,981,155	57,113,264	49,048,209	51,505,801	106,029,364	108,619,065
TOTAL ASSETS	**100,583,255**	**105,897,493**	**69,141,161**	**70,848,722**	**169,724,416**	**176,746,215**
LIABILITIES						
Short-Term Liabilities	2,636,176	2,336,781	1,855,486	1,508,374	4,491,662	3,845,155
Long-Term Liabilities	31,468,008	32,022,294	39,026,957	38,766,813	70,494,965	70,789,107
Other Liabilities	2,469,822	2,512,718	1,647,495	1,368,215	4,117,317	3,880,933
TOTAL LIABILITIES	**36,574,006**	**36,871,793**	**42,529,938**	**41,643,402**	**79,103,944**	**78,515,195**
NET POSITION						
Net Investment in Capital Assets	44,510,155	47,198,264	10,248,995	12,995,390	54,759,150	60,193,654
Restricted Net Assets:						
Debt Service	860,527	898,611			860,527	898,611
AB 2928 Grant	1,435,006	1,552,946			1,435,006	1,552,946
Gas Tax	574,907	654,129			574,907	654,129
Developer Fee - Operating	2,572,167	3,194,653			2,572,167	3,194,653
Housing Activities		1,228,639				1,228,639
Other special programs		4,221,997				4,221,997
Measure A	1,495,960	1,428,966			1,495,960	1,428,966
Unrestricted	12,560,527	8,647,495	16,362,228	16,209,930	28,922,755	24,857,425
TOTAL NET POSITION	**64,009,249**	**69,025,700**	**26,611,223**	**29,205,320**	**90,620,472**	**98,231,020**

The largest portion of the City's net position is the $60.2 million investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt used to acquire those assets. This is an increase of $5.4 million over prior year end balance of $54.8 million and reflects the completion of the Water Pollution Control Plant. The City utilizes capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although, the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

The restricted portion of net position is $13.2 million (13.4%) and represents resources that are subject to external restrictions on use. At the end of fiscal year 2012-2013, the City had positive balances in all of the categories used to calculate net position for both for the Governmental and Business-type Activities.

City of Millbrae
CHANGE IN NET POSITION
June 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
REVENUES						
Program Revenue:						
Charges for Service	5,723,843	6,345,877			5,723,843	6,345,877
Operating Contributions and Grants	801,486	1,613,360			801,486	1,613,360
Municipal Water System			6,170,821	6,740,002	6,170,821	6,740,002
Waste Water Treatment			8,388,292	8,546,835	8,388,292	8,546,835
Storm Drain			255,196	248,950	255,196	248,950
General Revenue:						
Property Taxes	10,915,140	9,209,244			10,915,140	9,209,244
Sales Tax	2,196,558	2,162,011			2,196,558	2,162,011
Transient Occupancy Tax	3,928,097	4,985,527			3,928,097	4,985,527
Franchise Tax	993,512	858,986			993,512	858,986
Other Taxes	690,768	664,015			690,768	664,015
Motor Vehicle In-Lieu	10,868	11,313			10,868	11,313
Investment Earnings	193,961	409,298	216,942	177,532	410,903	586,830
Miscellaneous	185,636	829,821	8,069	114,689	193,705	944,510
TOTAL REVENUES	25,639,869	27,089,452	15,039,320	15,828,008	40,679,189	42,917,460
EXPENSES						
General Government	4,093,521	3,206,947			4,093,521	3,206,947
Public Safety	12,144,238	10,848,192			12,144,238	10,848,192
Highway and Streets	1,108,898	2,706,820			1,108,898	2,706,820
Recreation & Culture	1,098,904	1,001,173			1,098,904	1,001,173
Community Development	2,858,452	2,693,662			2,858,452	2,693,662
Interest on Long-Term Debt	2,007,962	1,540,092			2,007,962	1,540,092
Municipal Water System			5,865,711	6,351,688	5,865,711	6,351,688
Waste Water Treatment			6,748,461	6,578,352	6,748,461	6,578,352
Storm Drain			489,042	379,986	489,042	379,986
TOTAL EXPENSES	23,311,975	21,996,886	13,103,214	13,310,026	36,415,189	35,306,912
Excess Before Transfers	2,327,894	5,092,566	1,936,106	2,517,982	4,264,000	7,610,548
Other Financing Sources	819,742				819,742	
Transfers	(198,498)	(76,115)	198,498	76,115		
CHANGE IN NET POSITION	2,949,138	5,016,451	2,134,604	2,594,097	5,083,742	7,610,548
Revised Net Position at Beginning of Year	61,060,111	64,009,249	24,476,619	26,611,223	85,536,730	90,620,472
NET POSITION AT YEAR END	64,009,249	69,025,700	26,611,223	29,205,320	90,620,472	98,231,020

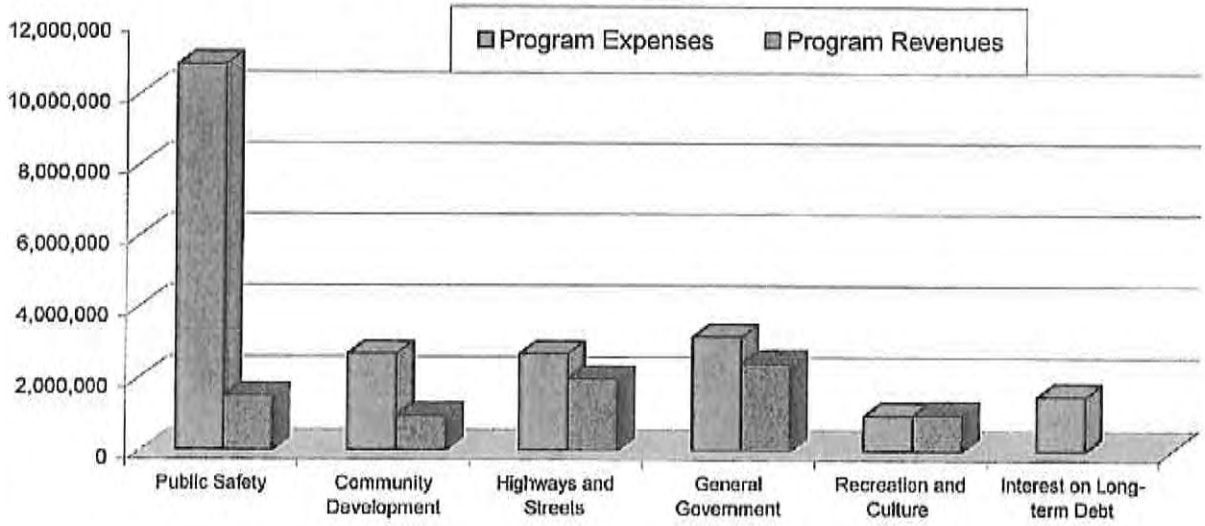
Analysis of the Changes in Net Position

As shown in the table above the City's overall Change in Net Position was $7.6 million in fiscal year 2012-2013. The net position at year end for Governmental Activities of $69 million represents a 7.8% increase over the prior year total of $64 million.

The City's Business-type Activities had a net position of $29.2 million at year end which represents a 9.7% or $2.6 million increase over the prior year total of $26.6 million.

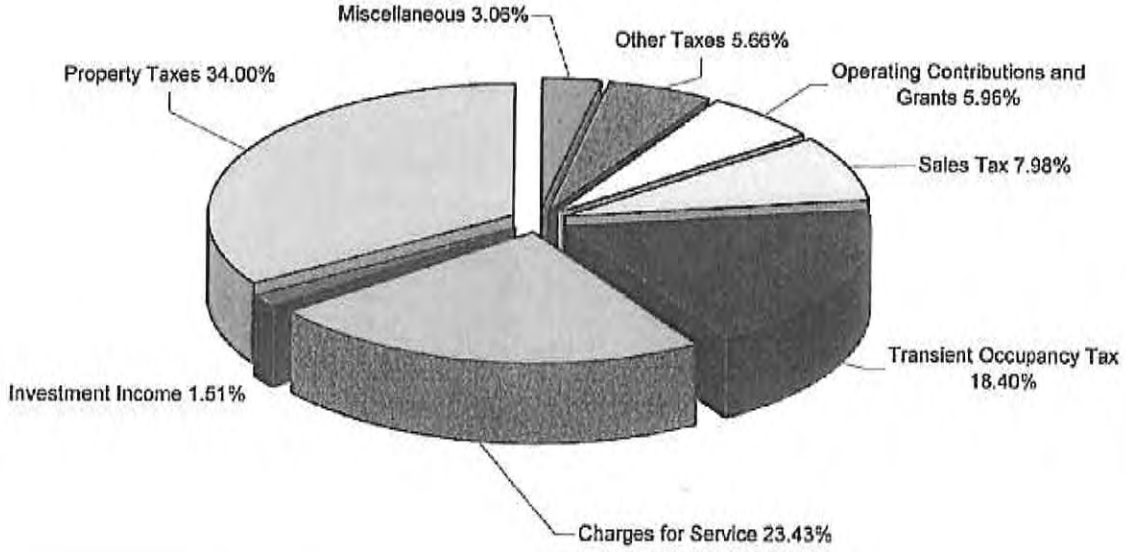
Governmental Activities

PROGRAM EXPENSES AND PROGRAM REVENUES



Governmental Activities

REVENUES BY SOURCE



Governmental Activities increased the City's total net position by $5 million to $69 million during fiscal year 2012-2013, compared to the increase of $3 million during fiscal year 2011-2012. Key factors contributing to the variance from the prior year are as follows:

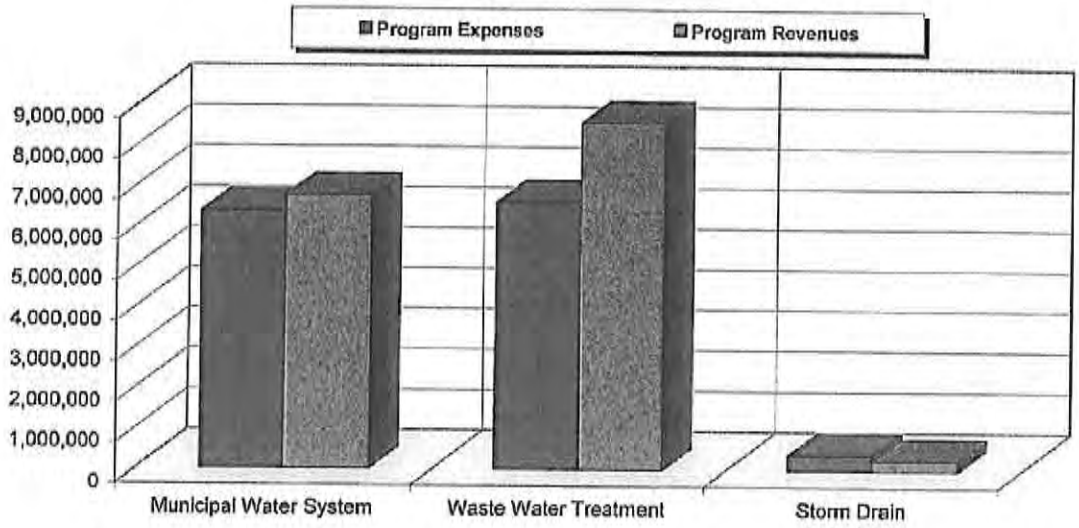
- Overall, Governmental Activities year over year revenue increased by approximately $1.45 million. The following are the highlights of those increases;
    - Property Taxes decreased by $1.7 million (-15.6%) due to the elimination of the prior Redevelopment Agency;
    - Sales Tax remained relatively constant, showing only a $34 thousand decrease (-1.6%) during this fiscal year;
    - Franchise Fees and Other Taxes decreased by $161 thousand (-9.5%);
    - Transit Occupancy Tax increased by $1 million (26.9%) primarily resulting from the re-opening of the ALOFT Hotel;
    - Investment Earnings from a restricted loan receivable increased by $215 thousand;
    - Charges for Services increased by $622 thousand (10.9%). These funds are restricted to support the programs they were charged for;
    - Miscellaneous Revenues increased by $644 thousand resulting from the transfer of land from the Redevelopment Agency to the City.
- Despite the overall increase in Governmental Revenues, General Revenue Taxes decreased by $840 thousand in total.
- Public Safety saw reduction in expense of $1.3 million due to more cost effective delivery of policing services through contracts with the San Mateo County's Sheriff's Office.
- Accrued Leave balances were recalculated and resulted in a one-time reduction liability expense reduction of $733 thousand.
- Other program expense reductions are a result of the negotiated citywide employee concession agreements; unfilled position vacancies; and the continuing effort by each department to consolidate, reduce and control expenses.
- Combined revenue increases, expenditure decreases resulted in a net position increase of $5.1 million, before transfers at the end of fiscal year 2012-2013.

The charts shown previously illustrate the City's Governmental Expenses and Revenues by Program, and Revenues by Source. As shown, Public Safety has the largest program expenses at forty nine percent (49.3%); followed by General Government at fourteen percent (14.6%); Highways and Streets at twelve percent (12.3%); Community Development at twelve percent (12.2%); and Culture and Recreation at five percent (4.6%).

General Revenues such as property tax, business tax, and sales tax are not shown by Program, but are used to support program activities citywide. For Governmental Activities, Property Taxes were the largest single source of revenue at 34%; followed by Charges for Service with 23.4%; Transient Occupancy with 18.4%; Sales tax with 8%; and various Other Taxes with 5.7% in fiscal year 2012-2013.

Business-type Activities

PROGRAM EXPENSES AND PROGRAM REVENUES



Business-type Activities increased the City's total net position by $2.6 million to $29.2 million during fiscal year 2012-2013, compared to the increase of $2.1 million during fiscal year 2011-2012. Key factors contributing to the increase from the prior year are as follows:

- Business-type Activities revenue increased by $789 thousand, and expenses increased by $207 thousand compared to those in prior year, overall the revenues exceeded the expenditures by $2.5 million before transfers resulting in a net position increase.
- Revenues from water sales increased by $569 thousand (9.2%) due to the combination of a rate increase and increased consumption. Expenses within the Municipal Water System had an overall increase of $486 thousand (8.3%) due to an increase in wholesale water costs.
- Waste Water Treatment service fees increased by $159 thousand dollars (1.9%). Expenses within the Waste Water Treatment decreased by $170 thousand (2.5%).
- Storm Drain fees decreased by $6 thousand dollars (2.4%) and operating expenses decreased by $36 thousand (-7.8%).
- $3.6 million was budgeted for Business-type Capital Expenditures for the 2012-2013 Fiscal-year, but the appropriations were not utilized. This resulted in a temporary increase in Net Position, but will be utilized in future years for Capital needs.
- Excess revenues over expenses within the Business-type Funds better position the City to implement deferred infrastructure improvements in the future.

The chart shown previously illustrates the City's Business-type Activities Expenses and Revenues by Program. As shown, Waste Water Treatment has the largest program expenses at forty-nine percent (49.4%), followed by the Municipal Water System at forty seven percent (47.7%) and Storm Drain with three percent (2.9%). Waste Water Treatment had the largest program revenue at fifty four percent (54%), followed by the Municipal Water System at forty three percent (42.6%) and Storm Drain with two percent (1.6%).

General Revenues such as Investment Earnings and Miscellaneous Revenues (Expense) are not shown by Program, but are used to support Business-type activities. For Business-type Activities, Investment Earnings and Miscellaneous Revenues were $292 thousand which is an increase of $67 thousand (29.9%) from the prior fiscal year. The major factor for this variance is the additional cash invested due to the reduction in expenditures and the current economic investment environment.

GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

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

Governmental Funds

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

At the end of fiscal year 2012-2013 the City's Governmental Funds reported a combined ending Fund Balance of $24.3 million, an increase of $5.7 million (30.4%) over the prior year ending 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 2013 and the previous fiscal year end, 2012.

Governmental Funds

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
June 30, 2013

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Ending Fund Balances	
	2012	2013	2012	2013	2012	2013	2012	2013
General Fund	19,655,353	20,394,877	18,255,807	15,327,679	1,399,546	5,067,198	5,493,202	10,560,400
Low and Moderate Income Housing	653,662	615,889	29,310	11,602	624,352	604,287	624,352	1,228,639
Other Governmental Funds	10,245,758	5,983,296	17,351,341	5,987,378	(7,105,583)	(4,082)	12,526,686	12,522,604
TOTAL	**30,554,773**	**26,994,062**	**35,636,458**	**21,326,659**	**(5,081,685)**	**5,667,403**	**18,644,240**	**24,311,643**

The General Fund had an ending Fund Balance of $10.6 million, an increase of $5.1 million over the prior year end balance. Key factors contributing are increases in revenues and decreases in expenses. The prior Redevelopment Agency Low and Moderate Income Housing fund is now the City of Millbrae Low and Moderate Income Housing Asset Fund and had an ending Fund Balance of $1.2 million. Other Governmental Funds have a combined ending Fund Balance of $12.5 million, a decrease of $4 thousand over the prior year ending balance.

The following table provides a comparison of the General Fund Revenues and Expenditures for fiscal year 2012-2013 versus fiscal year 2011-2012.

Comparative Analysis of Changes in the General Fund Balance

The General Fund is the chief operating fund of the City and the following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance at fiscal year end 2013 and the previous fiscal year end, 2012.

GENERAL FUND
REVENUE AND EXPENDITURE COMPARISON
June 30, 2013

	General Fund		Dollar Variance	Percentage Variance
	2012	2013		
REVENUES				
Property Taxes	8,072,016	8,538,919	466,903	5.78%
Sales Tax	2,196,558	2,162,011	(34,547)	-1.57%
Transient Occupancy Tax	3,928,097	4,985,527	1,057,430	26.92%
Franchise Taxes	993,512	858,986	(134,526)	-13.54%
Other Taxes	204,840	194,493	(10,347)	-5.05%
Licenses and Permits	943,283	865,298	(77,985)	-8.27%
Charges for Service	932,996	793,515	(139,481)	-14.95%
Fines and Forfeitures	1,223,109	1,165,881	(57,228)	-4.68%
Use of Money and Property	461,735	439,237	(22,498)	-4.87%
Grants and Intergovernmental	36,423	101,724	65,301	179.29%
Miscellaneous	630,793	424,012	(206,781)	-32.78%
TOTAL REVENUES	**19,623,362**	**20,529,603**	**906,241**	4.62%
EXPENDITURES				
General Government	2,147,972	2,614,256	466,284	21.71%
Public Safety	11,351,300	9,893,930	(1,457,370)	-12.84%
Highway and Streets	1,026,319	913,244	(113,075)	-11.02%
Culture and Recreation	2,084	3,283	1,199	57.53%
Community Development	1,734,728	1,861,261	126,533	7.29%
Capital Outlay	77,069	41,705	(35,364)	-45.89%
Debt Service:				
Principal	860,000		(860,000)	-100.00%
Interest and Fiscal Charges	4,723		(4,723)	-100.00%
TOTAL EXPENDITURES	**17,204,195**	**15,327,679**	**(1,876,516)**	-10.91%
OTHER FINANCING SOURCES (USES)				
Proceeds Sale of Capital Assets	25,221		(25,221)	
Transfers In	6,770	397,301	390,531	
Transfers Out	(1,051,612)	(532,027)	519,585	
TOTAL OTHER FINANCING SOURCES (USES)	**(1,019,621)**	**(134,726)**	**884,895**	
NET CHANGE / FUND BALANCE	**1,399,546**	**5,067,198**		
BEGINNING FUND BALANCE	**4,093,656**	**5,493,202**		
ENDING FUND BALANCE	**5,493,202**	**10,560,400**		

As shown on the table above the General Fund had an ending Fund Balance of $10.6 million, which reflects an increase of $5.1 million in comparison to the prior year. The increase is attributable to the growth in revenue and reduction in expenditures.

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

GENERAL FUND EXPENDITURES
FUND BALANCE COMPARISON

	2012	2013
Fund Balance Classification		
Nonspendable: Pre Paid Expense	29,860	298,057
Assigned: OPEB	1,532,462	2,184,462
Assigned: Encumbrances	638,992	203,355
Unassigned	3,291,888	7,874,526
Total Fund Balance	**5,493,202**	**10,560,400**
Expenses	18,255,807	15,859,706
Total Fund Balance	5,493,202	10,560,400
PERCENTAGE	**30.09%**	**66.59%**
Expenses	18,255,807	15,859,706
Unassigned Fund Balance	3,291,888	7,874,526
PERCENTAGE	**18.03%**	**49.65%**

On June 30, 2013, the General Fund Assigned Fund Balance was $2.4 million which includes $203 thousand for encumbrances and $2.2 million reserved for OPEB (Other Post Employment Benefits). Additional information on OPEB can be found in Note 11 of this report. An additional $298 thousand was attributed to pre-paid expenditures and the General Fund had an Unassigned Fund Balance of $7.9 million.

General Fund Budgetary Revenue and Expenditure Changes

Actual revenues exceeded budgeted revenues by $1.9 million, and actual expenditures were $2.5 million less than budget. This lower than budgeted expenditures is a result of several cost saving measures as well as an adjustment to the method used to calculate the liability associated with leave accrual balances.

Proprietary Funds

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

The following table shows actual revenues, expenses and results of operations for the fiscal year 2012-2013.

PROPRIETARY FUNDS

June 30, 2013

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Assets
Municipal Water System	6,745,012	6,306,076	438,936	(13,355)		425,581
Waste Water Treatment	8,607,764	5,643,934	2,963,830	(724,482)	76,115	2,315,463
Storm Drains	297,700	420,429	(122,729)	1,039		(121,690)
Internal Service Funds	2,104,189	2,509,875	(405,686)	(9,442)	(138,320)	(553,448)
TOTAL	17,754,665	14,880,314	2,874,351	(746,240)	(62,205)	2,065,906

At the end of fiscal year 2012-2013, the total net position for the Municipal Water System was $13.5 million, an increase of $426 thousand (3.3%) over the prior year balance of $13 million; Waste Water Treatment total net position was $15.3 million, an increase of $2.3 million (17.8%) over the prior year balance of $13 million; Storm Drains total net position was $383 thousand, a decrease of $122 thousand (24%) over the prior year balance of $505 thousand; and the Internal Service Funds total net position was $1.2 million a decrease of $553 thousand (31%) over the prior year balance of $1.8 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

June 30, 2013

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Land	15,334,335	15,334,335	1,785,218	1,601,270	17,119,553	16,935,605
Construction in Progress		13,156	31,604,158	24,489	31,604,158	37,645
Building and Improvements	15,844,777	15,733,754	2,595,655	36,113,249	18,440,432	51,847,003
Furniture, Fixtures and Equipment	1,310,266	2,066,444	5,826,527	5,258,605	7,136,793	7,325,049
Automobiles and Trucks	448,857	318,338	10,403	7,864	459,260	326,202
Infrastructure	24,042,920	23,647,237	7,226,247	8,500,324	31,269,167	32,147,561
TOTAL	56,981,155	57,113,264	49,048,208	51,505,801	106,029,363	108,619,065

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2013, increased by $2.6 million (2.4%) to $108.6 million (net of accumulated depreciation). The reduction in Construction in Progress and increase in Building and Improvements reflects the completion of the renovation and modernization of the City's Waste Water Treatment facilities.

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

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

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

Debt Administration

The City obligations are in the form of Certificates of Participation (COP), General Obligation Bonds (GOB), Capital Appreciation Bonds, and Loans.

The following table summarizes the outstanding long-term debt at June 30, 2013, for the City.

LONG-TERM LIABILITIES

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
2001 General Obligation Bonds: Public Library	10,045,000	9,915,000			10,045,000	9,915,000
2004 Pension Obligation Bonds	14,889,318	14,934,475			14,889,318	14,934,475
2011 Loan - Refinance 1999 Certificates of Participation	2,426,000	2,263,000			2,426,000	2,263,000
2009 A Certificate of Participation: Wastewater Plant			5,560,000	5,560,000	5,560,000	5,560,000
2009 B Certificate of Participation: Wastewater Plant			7,130,984	6,976,033	7,130,984	6,976,033
2009 State Water Resource Board: Wastewater Plant			27,405,675	27,294,385	27,405,675	27,294,385
TOTAL	27,360,318	27,112,475	40,096,659	39,830,418	67,456,977	66,942,893

As of June 30, 2013, Governmental Activities outstanding long-term debt was $27.1 million and Business-type Activities had $39.8 million of long-term debt, for combined total of $66.9 million. Additional information about the City's long-term obligations can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's financial status and budget outlook are continuously monitored, as the City faces significant fiscal challenges including;

- Rising Labor, Health Care, and Pension costs;
- Stagnant and/or declining revenues;
- Aging infrastructure and unfunded capital needs; and
- Funding outstanding Other Post Employment Benefit (OPEB) liabilities.

The economy of the City is discussed in detail in the accompanying Transmittal Letter.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. We hope the proceeding information has provided a general overview of the City's overall financial status.

Requests for additional information, and questions or comments regarding this report should be addressed to:

City of Millbrae
Finance Department
Attn: Stephanie Beauchaine
621 Magnolia Avenue
Millbrae, CA 94030

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

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

The Statement of Net Position 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 position. 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.

CITY OF MILLBRAE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 3)	$27,858,593	$14,006,022	$41,864,615
Cash with fiscal agent (Note 3)	472	1,320,007	1,320,479
Receivables:			
Taxes	852,385		852,385
Accounts - net	96,742	3,670,322	3,767,064
Accrued interest	392,120	16,456	408,576
Due from other governmental agencies	549,459	7,251	556,710
Loans (Note 5)	11,587,348		11,587,348
Internal balances (Note 4B)	(61,657)	61,657	
Prepaid pension obligations (Note 8B)	6,623,487		6,623,487
Prepaid items	298,057	261,206	559,263
Land held for resale	587,223		587,223
Capital assets (Note 6):			
Non-depreciable capital assets	15,347,491	1,625,759	16,973,250
Depreciable capital assets, net	41,765,773	49,880,042	91,645,815
Total Assets	105,897,493	70,848,722	176,746,215
LIABILITIES			
Accounts payable and accrued payroll	1,503,154	707,545	2,210,699
Interest payable	239,475	221,359	460,834
Deposits	333,859	439,311	773,170
Unearned revenue	436,230		436,230
Compensated absences (Note 1F):			
Due within one year	437,396	41,460	478,856
Due in more than one year	708,916	376,081	1,084,997
Accrued self-insurance (Note 12)			
Due within one year	663,385		663,385
Due in more than one year	1,843,233	27,228	1,870,461
Long-term debt (Note 8):			
Portion due within one year	1,236,000	1,466,914	2,702,914
Portion due in more than one year	25,876,475	38,363,504	64,239,979
Net other postemployment benefit obligation (Note 11)			
Due in more than one year	3,593,670		3,593,670
Total Liabilities	36,871,793	41,643,402	78,515,195
NET POSITION (Note 9)			
Net investment in capital assets	47,198,264	12,995,390	60,193,654
Restricted for:			
Debt service	898,611		898,611
AB 2928 grant	1,552,946		1,552,946
Gas tax	654,129		654,129
Developer fee - operating	3,194,653		3,194,653
Housing activities	1,228,639		1,228,639
Other special programs	4,221,997		4,221,997
Measure A	1,428,966		1,428,966
Total Restricted Net Position	13,179,941		13,179,941
Unrestricted	8,647,495	16,209,930	24,857,425
Total Net Position	$69,025,700	$29,205,320	$98,231,020

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
General government	$3,206,947	$2,446,854		($760,093)		($760,093)
Public safety	10,848,192	819,143	$700,459	(9,328,590)		(9,328,590)
Highways and streets	2,706,820	1,093,207	912,901	(700,712)		(700,712)
Culture and recreation	1,001,173	1,023,083		21,910		21,910
Community development	2,693,662	963,590		(1,730,072)		(1,730,072)
Interest on long-term debt	1,540,092			(1,540,092)		(1,540,092)
Total Governmental Activities	21,996,886	6,345,877	1,613,360	(14,037,649)		(14,037,649)
Business-type Activities:						
Municipal water system	6,351,688	6,740,002			$388,314	388,314
Municipal waste water treatment facility	6,578,352	8,546,835			1,968,483	1,968,483
Storm drain	379,986	248,950			(131,036)	(131,036)
Total Business-type Activities	13,310,026	15,535,787			2,225,761	2,225,761
Total	$35,306,912	$21,881,664	$1,613,360	(14,037,649)	2,225,761	(11,811,888)
General revenues:						
Taxes:						
Property taxes				9,209,244		9,209,244
Sales taxes				2,162,011		2,162,011
Transient occupancy tax				4,985,527		4,985,527
Franchise tax				858,986		858,986
Other taxes				664,015		664,015
Motor vehicle in-lieu, unrestricted				11,313		11,313
Investment earnings				409,298	177,532	586,830
Miscellaneous				829,821	114,689	944,510
Transfers (Note 4A)				(76,115)	76,115	
Total general revenues and transfers				19,054,100	368,336	19,422,436
Change in Net Position				5,016,451	2,594,097	7,610,548
Net Position-Beginning				64,009,249	26,611,223	90,620,472
Net Position-Ending				$69,025,700	$29,205,320	$98,231,020

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal year 2013. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND

This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The main source of revenues for this fund is the repayment of restricted housing loans.

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 3)	$10,871,176	$145,626	$12,584,684	$23,601,486
Cash with fiscal agent (Note 3)			472	472
Receivables:				
Taxes	806,102		46,283	852,385
Accounts - net	45,900		23,545	69,445
Accrued interest	112,707	279,413		392,120
Due from other governmental agencies	179,569		367,422	546,991
Loans (Note 5)		11,587,348		11,587,348
Prepaid items	298,057			298,057
Land held for resale		587,223		587,223
Total Assets	$12,313,511	$12,599,610	$13,022,406	$37,935,527
LIABILITIES				
Accounts payable and accrued payroll	$1,292,376	$1,342	$190,448	$1,484,166
Deposits	193,320		140,539	333,859
Unearned revenue	267,415		168,815	436,230
Total Liabilities	1,753,111	1,342	499,802	2,254,255
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue		11,369,629		11,369,629
Total Deferred Inflow of Resources		11,369,629		11,369,629
FUND BALANCES				
Fund balance (Note 9)				
Nonspendable	298,057			298,057
Restricted		1,228,639	12,522,604	13,751,243
Assigned	5,205,122			5,205,122
Unassigned	5,057,221			5,057,221
Total Fund Balances	10,560,400	1,228,639	12,522,604	24,311,643
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$12,313,511	$12,599,610	$13,022,406	$37,935,527

See accompanying notes to financial statements

CITY OF MILLBRAE
Reconciliation of the
GOVERNMENTAL FUNDS – BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances reported on the Governmental Funds Balance Sheet	$24,311,643
Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds	56,491,172
ALLOCATION OF INTERNAL SERVICE FUND NET POSITION	
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 Position.	
Cash and investments	4,257,107
Accounts receivable	27,297
Due from other governmental agencies	2,468
Internal balances	(61,657)
Capital assets	622,092
Accounts payable	(18,988)
Compensated absences	(1,146,312)
Accrued self-insurance	(2,506,618)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	11,369,629
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	6,623,487
Long-term debt	(27,112,475)
Net OPEB Obligation	(3,593,670)
Interest payable	(239,475)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$69,025,700

See accompanying notes to financial statements

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	General	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Property tax	$8,538,919		$670,325	$9,209,244
Sales tax	2,162,011			2,162,011
Transient occupancy tax	4,985,527			4,985,527
Franchise tax	858,986			858,986
Other taxes	194,493		469,522	664,015
Licenses and permits	865,298		768,165	1,633,463
Charges for services	793,515		1,639,424	2,432,939
Fines and forfeitures	1,165,881			1,165,881
Use of money and property	439,237	$2,422	345,562	787,221
Grants and intergovernmental	101,724		1,866,964	1,968,688
Miscellaneous	424,012	613,467	26,403	1,063,882
Total Revenues	20,529,603	615,889	5,786,365	26,931,857
EXPENDITURES				
Current:				
General government	2,614,256		576	2,614,832
Public safety	9,893,930		92,908	9,986,838
Highways and streets	913,244		1,041,251	1,954,495
Culture and recreation	3,283		930,915	934,198
Community development	1,861,261	11,602	446,184	2,319,047
Capital outlay	41,705		1,681,237	1,722,942
Debt service:				
Principal			1,183,000	1,183,000
Interest and fiscal charges			611,307	611,307
Total Expenditures	15,327,679	11,602	5,987,378	21,326,659
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,201,924	604,287	(201,013)	5,605,198
OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4A)	397,301		581,031	978,332
Transfers (out) (Note 4A)	(532,027)		(384,100)	(916,127)
Total Other Financing Sources (Uses)	(134,726)		196,931	62,205
NET CHANGE IN FUND BALANCES	5,067,198	604,287	(4,082)	5,667,403
BEGINNING FUND BALANCES	5,493,202	624,352	12,526,686	18,644,240
ENDING FUND BALANCES	$10,560,400	$1,228,639	$12,522,604	$24,311,643

See accompanying notes to financial statements

CITY OF MILLBRAE
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the Statement of Activities
FOR THE YEAR ENDED JUNE 30, 2013

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 Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$5,667,403
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay and other capitalized expenditures are therefore added back to fund balance	1,690,585
Retirement of capital assets	(45,636)
Depreciation expense is deducted from the fund balance	(1,342,304)
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 Position. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Repayment of debt principal are added back to fund balance	1,183,000
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Internal balances	86,914
Change in interest accrued	6,372
Unpaid interest added to long-term debt	(935,157)
Unavailable revenue	156,908
Amortization of prepaid pension obligation	(490,892)
Net OPEB	(345,637)
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 Position - All Internal Service Funds	(615,105)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$5,016,451

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal year 2013.

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 POSITION
JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3)	$4,890,267	$9,055,821	$59,934	$14,006,022	$4,257,107
Cash with fiscal agent (Note 3)		1,320,007		1,320,007	
Receivables:					
Accounts - net	1,686,525	1,983,797		3,670,322	27,297
Accrued interest		16,456		16,456	
Due from other governmental agencies			7,251	7,251	2,468
Prepaid items	1,565	259,641		261,206	
Total Current Assets	6,578,357	12,635,722	67,185	19,281,264	4,286,872
Noncurrent Assets:					
Capital assets (Note 6)					
Non-depreciable capital assets	102,763	1,522,996		1,625,759	
Depreciable capital assets, net	7,629,511	41,810,870	439,661	49,880,042	622,092
Total Noncurrent Assets	7,732,274	43,333,866	439,661	51,505,801	622,092
Total Assets	14,310,631	55,969,588	506,846	70,787,065	4,908,964
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued payroll	382,200	320,267	5,078	707,545	18,988
Interest payable		221,359		221,359	
Deposits	320,099	19,212	100,000	439,311	
Compensated absences (Note 1F)	14,095	25,829	1,536	41,460	437,396
Accrued self insurance					663,385
Long-term debt - due within one year (Note 8)		1,466,914		1,466,914	
Total Current Liabilities	716,394	2,053,581	106,614	2,876,589	1,119,769
Noncurrent Liabilities:					
Compensated absences (Note 1F)	126,853	232,461	16,767	376,081	708,916
Accrued self-insurance (Note 12)		27,228		27,228	1,843,233
Long-term debt (Note 8)					
Due in more than one year		38,363,504		38,363,504	
Total Noncurrent Liabilities	126,853	38,623,193	16,767	38,766,813	2,552,149
Total Liabilities	843,247	40,676,774	123,381	41,643,402	3,671,918
NET POSITION (Note 9)					
Net investment in capital assets	7,732,274	4,823,455	439,661	12,995,390	622,092
Unrestricted	5,735,110	10,469,359	(56,196)	16,148,273	614,954
Total Net Position	$13,467,384	$15,292,814	$383,465	29,143,663	$1,237,046
Some amounts reported for business-type activities in the Statement of Net Position are different because certain internal service fund assets and liabilities are included with business-type activities.				61,657	
Net position business-type activities				$29,205,320	

See accompanying notes to financial statements

CITY OF MILLBRAE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
OPERATING REVENUES					
Water sales	$6,740,002			$6,740,002	
Sewer service fees		$8,546,835		8,546,835	
Equipment rental					$646,921
Interdepartmental charges					1,364,693
Storm drain fees			$248,950	248,950	
Miscellaneous	5,010	60,929	48,750	114,689	92,575
Total Operating Revenues	6,745,012	8,607,764	297,700	15,650,476	2,104,189
OPERATING EXPENSES					
Personnel services	1,527,781	2,922,225	194,028	4,644,034	214,753
Contractual services	641,312	1,107,253	165,155	1,913,720	257,480
Materials, supplies and other services	341,970	460,959	3,033	805,962	147,150
Water purchases	3,362,707			3,362,707	
Depreciation	318,267	869,412	42,973	1,230,652	160,406
Utilities	43,683	184,322	7,129	235,134	
Insurance premiums and claims	70,356	99,763	8,111	178,230	1,730,086
Total Operating Expenses	6,306,076	5,643,934	420,429	12,370,439	2,509,875
Operating Income (Loss)	438,936	2,963,830	(122,729)	3,280,037	(405,686)
NONOPERATING REVENUES (EXPENSES)					
Loss on disposal of capital assets	(66,133)	(12,324)	(1,041)	(79,498)	(10,129)
Interest revenue	52,778	122,674	2,080	177,532	687
Interest expense and fiscal charges		(834,832)		(834,832)	
Total Nonoperating Revenues (Expenses)	(13,355)	(724,482)	1,039	(736,798)	(9,442)
Income (Loss) Before Transfers	425,581	2,239,348	(121,690)	2,543,239	(415,128)
Transfers in (Note 4A)		76,115		76,115	
Transfers out (Note 4A)					(138,320)
Net transfers		76,115		76,115	(138,320)
Change in net position	425,581	2,315,463	(121,690)	2,619,354	(553,448)
BEGINNING NET POSITION	13,041,803	12,977,351	505,155		1,790,494
ENDING NET POSITION	$13,467,384	$15,292,814	$383,465		$1,237,046

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	(25,257)
Change in net position of business-type activities	$2,594,097

See accompanying notes to financial statements

CITY OF MILLBRAE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-type Activities-Enterprise Funds				
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$6,577,061	$8,591,302	$397,700	$15,566,063	$1,359,479
Payments to suppliers	(4,418,221)	(2,366,743)	(192,939)	(6,977,903)	(425,191)
Payments to employees	(1,643,995)	(3,065,407)	(202,875)	(4,912,277)	(235,447)
Claims paid					(801,426)
Cash Flows from Operating Activities	514,845	3,159,152	1,886	3,675,883	(102,585)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in		76,115		76,115	
Transfers (out)					(138,320)
Cash Flows from Noncapital Financing Activities		76,115		76,115	(138,320)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(511,990)	(3,206,944)	(48,750)	(3,767,684)	
Proceeds from long term debt		1,196,751		1,196,751	
Principal payments on capital debt		(1,462,992)		(1,462,992)	
Interest paid		(817,144)		(817,144)	
Cash Flows from Capital and Related Financing Activities	(511,990)	(4,290,329)	(48,750)	(4,851,069)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment with fiscal agent		(22,562)		(22,562)	
Interest	52,778	106,218	2,080	161,076	688
Cash Flows from Investing Activities	52,778	83,656	2,080	138,514	688
Net Cash Flows	55,633	(971,406)	(44,784)	(960,557)	(240,217)
Cash and investments at beginning of period	$4,834,634	$10,027,227	$104,718	14,966,579	4,497,324
Cash and investments at end of period	$4,890,267	$9,055,821	$59,934	$14,006,022	$4,257,107
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	$438,936	$2,963,830	($122,729)	$3,280,037	($405,686)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	318,267	869,412	42,973	1,230,652	160,406
Change in assets and liabilities:					
Receivables, net	(179,401)	(22,114)		(201,515)	(20,951)
Due from other governmental agencies			(4,931)	(4,931)	16,483
Accounts payable	43,372	(452,920)	(4,580)	(414,128)	(9,934)
Compensated absences	(116,214)	(143,182)	(8,847)	(268,243)	(760,936)
Prepaid items	(1,565)	11,246		9,681	
Refundable deposits	11,450	5,652	100,000	117,102	918,033
Accrued self insurance		(72,772)		(72,772)	
Cash Flows from Operating Activities	$514,845	$3,159,152	$1,886	$3,675,883	($102,585)
NONCASH TRANSACTION					
Retirement of premium		$4,951			

See accompanying notes to financial statements

FIDUCIARY FUNDS

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE PURPOSE TRUST FUND

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

CITY OF MILLBRAE
FIDUCIARY FUNDS
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS	
Cash and investments (Note 3)	$3,227,935
Cash with fiscal agents (Note 3)	551,463
Receivables:	
Accounts - net	4,280
Accrued interest	1,292
Land held for resale (Note 15B)	1,324,591
Capital assets (Note 15):	
Depreciable capital assets, net	428,447
Total Assets	$5,538,008
LIABILITIES	
Accounts payable	$2,337,808
Interest payable	140,479
Deposits	8,560
Long-term debt (Note 15):	
Portion due within one year	200,000
Portion due in more than one year	7,410,000
Total Liabilities	10,096,847
NET POSITION (DEFICIT)	
Held in trust for other purposes	($4,558,839)

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS	
Property tax	$1,123,606
Use of money and property	68,347
Total additions	1,191,953
DEDUCTIONS	
Community Development	1,110,560
Depreciation	14,522
Interest and fiscal charges	339,704
Total deductions	1,464,786
Net change in net position before extraordinary item	(272,833)
EXTRAORDINARY ITEM (NOTE 15)	
Redevelopment dissolution payments	(2,331,079)
NET POSITION	
Beginning of year	(1,954,927)
End of year	($4,558,839)

See accompanying 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-City Manager, form of government and provides the following services: public safety (fire), highways and streets, sewer, water, recreation, public improvements, planning and zoning, building inspections, and general administration services.

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. 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 Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Interfund services provided and used are not eliminated in the process of consolidation.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

B. Major Funds

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

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

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

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

LOW AND MODERATE INCOME HOUSING ASSET SPECIAL REVENUE FUND - This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The main source of new revenues for this fund is the repayment of restricted housing loans.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

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

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

C. 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*.

Those revenues susceptible to accrual are property, sales, transient occupancy and franchise taxes, special assessments, licenses for services and interest revenue, and any fines, permits, or charges for services that are measurable and available.

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

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *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.

E. *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; with limited exceptions, otherwise assessed value is calculated as the lesser of full cash value at the time of acquisition 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 repay voter-approved debt.

F. *Compensated Absences*

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

	Governmental Activities	Business-Type	Total
Beginning Balance	$1,907,248	$685,784	$2,593,032
Additions	542,983	294,635	837,618
Payments and Adjustments	(1,303,919)	(562,878)	(1,866,797)
Ending Balance	$1,146,312	$417,541	$1,563,853
Current Portion	$437,396	$41,460	$478,856

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.

G. *Use of Estimates*

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Cash and Cash Equivalents

The City considers pooled cash and investment amounts, with maturities of three months or less, to be cash equivalents.

I. New Funds and Closed Funds

The 2004 Pension Obligation Bonds Debt Service Fund was established to account for payment of principal and interest on the City's share of the 2004 California Statewide Communities Development Authority Capital Appreciation Bonds.

The COPS & Other Grants Special Revenue Fund was closed during the fiscal year due to the City contracting its police services through the Sheriff's Office.

J. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 60 – In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnerships. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. There was no impact on the City's financial statements.

GASB Statement No. 61 – In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. There was no impact on the City's financial statements.

GASB Statement No. 62 – In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented this statement in fiscal year 2013.

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The City has implemented this statement in fiscal year 2013.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgeting Procedures

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

The legal level of budgetary control is the fund level and the Council must approve any revision of budget that increases the total expenditures of any fund. All appropriations remaining at year-end lapse, except for purchases in progress. With City Council approval, prior year unexpended and open project and grant appropriations will be rolled-over into the new fiscal year.

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

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 re-appropriated in the following year. Unexpended appropriations lapse at year end and must be re-appropriated in the following year. Encumbrances outstanding as of June 30, 2013 were $203,355 in the General Fund, $74,395 in the Municipal Water System Enterprise Fund, $789,063 in the Municipal Waste Water Treatment Facility Enterprise Fund, and $128,162 in Other Governmental Funds.

C. Expenditures in Excess of Appropriations

The following funds incurred expenditures in excess of appropriations in fiscal year 2013:

Fund	Expenditures exceeded budget
Measure A Special Revenue Fund	$217,235
Sister City Special Revenue Fund	1,483
Millbrae Station Area Developer Fee Operating Special Revenue Fu	2,834

NOTE 3 - CASH AND INVESTMENTS

The City invests those funds not necessary for daily operations, except cash with fiscal agents, in investment options authorized by the City's investment policy. 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, 2013:

City Cash and Investments:	
Cash and investments available for operations	$41,864,615
Cash and investments with fiscal agent	1,320,479
Total City Cash and Investments	43,185,094
Cash and investments in Fiduciary Funds (Separate Statement):	
Successor Agency to the Redevelopment Agency Private Purpose Trust Fund:	
Cash and investments available for operations	3,227,935
Cash and investments with fiscal agent	551,463
Total Cash and Investments	$46,964,492

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

A. *Authorized Investments by the City*

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings are acceptable of the issuers are acceptable to the City. Any other investment not specified hereunder shall be made only upon prior approval by the City Council. 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.

When a percentage limitation for a particular security type is indicated, that percentage is applicable only on the date of purchase. Credit criteria listed in this section refers to the credit rating at the time the security is purchased.

- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation;
- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secured investments available;
- U.S. government agency and instrumentality obligations that have a liquid market value with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions;

NOTE 3 - CASH AND INVESTMENTS (Continued)

- Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally – or state – licensed branch of a foreign bank. No more than 30% of the City's portfolio may be invested in negotiable CD's.
- Bankers' acceptances with a rating of the highest ranking or highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). Purchases of bankers' acceptances may not exceed 180 days. No more than 40% of the City's portfolio may be invested in bankers' acceptances;
- Commercial paper, rated in the highest tier by an NRSRO. The entity that issues the commercial paper must meet all the following conditions in either paragraph a or paragraph b:
  a) The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars ($500,000,000), and (iii) has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.
  b) The entity meets the following criteria: (i) is organized in the United States as special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent by a NRSRO.

  Eligible commercial paper will have a maximum maturity of 270 days or less. No more than 25% of the City's portfolio may be invested in commercial paper. The City may purchase no more than 10% of the outstanding commercial paper of any single issuer;
- Investment-grade obligations of the State of California or any local agency within the state, including bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency;
- Investment-grade registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state, or by a department, board, agency, or authority of any of these states;
- Medium-Term Notes issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term corporate notes will be rated in a rating category "A" or its equivalent or better by a NRSRO. No more than 30% of the City's portfolio may be invested in medium-term notes; and
- Money Market Mutual Funds are eligible for investment if the companies providing the mutual funds invest in only in instruments authorized by Government Code, Sections 53601 and/or 53635. Such companies shall have attained either the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services, or retain an investment advisor registered with the Securities and Exchange Commission with not less than five (5) years experience investing in securities and obligations authorized and with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of the share of beneficial interest shall not include any commission that these companies charge.

NOTE 3 - CASH AND INVESTMENTS (Continued)

City did not enter into any reverse repurchase agreements during the year ended June 30, 2013.

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

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

C. Interest Rate Risk

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

	12 Months or less	13 to 24 Months	25 to 60 Months	Total
Local Agency Investment Fund	$6,325,339			$6,325,339
San Mateo County Investment Fund	15,681,598			15,681,598
Negotiable or Non-Negotiable Certificates of Deposit	2,485,217	$995,925	$1,920,752	5,401,894
Money Market Funds	131,464			131,464
U.S. Government Agency Obligation Callable	982,050			982,050
Municipal Bonds	291,488	2,194,138	1,686,860	4,172,486
Medium Term Notes Non-Callable	593,108	497,608	104,386	1,195,102
Petty Cash	1,480			1,480
Cash in banks	13,073,079			13,073,079
Total Cash and Investments	$39,564,823	$3,687,671	$3,711,998	$46,964,492

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, 2013 for each investment type:

Investment Type	AAAm	AA+	AA-	A	A-	BBB	SP1	Total
Money Market Funds	$131,464							$131,464
U.S. Government Agency Obligation Non Callable		$982,050						982,050
Municipal Bonds			$608,875	$923,983	$2,087,420	$291,488	$260,720	4,172,486
Medium Term Notes Non-Callable				592,463	313,158	289,481		1,195,102
	$131,464	$982,050	$608,875	$1,516,446	$2,400,578	$580,969	$260,720	6,481,102
Not rated:								
Local Agency Investment Fund								6,325,339
San Mateo County Investment Fund								15,681,598
Negotiable or Non-Negotiable Certificates of deposit								5,401,894
Petty Cash								1,480
Cash in banks								13,073,079
Total Cash and Investments								$46,964,492

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

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

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

F. Concentration Risk

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

Reporting Unit	Issuer	Investment Type	Reported Amount
Major Fund:			
General Fund	Illinois State Bonds	Municipal Bonds	$2,087,420
	Mutual Securities	Certificates of Deposits	1,233,968
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	982,050
Municipal Waste Water Treatment Facility Enterprise Fund	BP Capital Markets PLC	Medium Term Notes	288,836
	Goldman Sachs Group Inc.	Medium Term Notes	313,158
	Hewlett-Packard Company	Medium Term Notes	289,481
	Wells Fargo Company	Medium Term Notes	303,627

G. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

NOTE 3 - CASH AND INVESTMENTS (Continued)

H. San Mateo County Investment Fund

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the Treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2013, these investments matured in an average of 719 days.

NOTE 4 - INTERFUND TRANSACTIONS

A. 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, 2013 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Transferred	
General Fund	Internal Service Funds	$138,320	B
	Non-Major Governmental Funds	258,981	A, B
Waste Water Enterprise Fund	Non-Major Governmental Funds	76,115	A, B, C
Non-Major Governmental Funds	General Fund	532,027	A, B
	Non-Major Governmental Funds	49,004	A, B, C
	Total Interfund Transfers	$1,054,447	

The reasons for these transfers are set forth below:

A To fund administrative/maintenance expenditures
B To fund debt service payments
C Tax allocation and loan payment

B. Internal Balances

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

NOTE 5 - LOANS RECEIVABLE

Low and Moderate Income Housing Assets Fund Loans receivable as of June 30, 2013, comprised of the following:

Project	Amount
Low-and-Moderate First Time Home Buyer Program	$497,132
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loan	
88 South Broadway	4,143,040
1388 Broadway	1,369,681
Total Loans Receivable	$11,709,853
Allowance for Doubtful Accounts	
88 South Broadway	($92,068)
1388 Broadway	(30,437)
Total Collectible Loans Receivable	$11,587,348

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

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

B. Dolores Lia Apartments Loan

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

NOTE 5 - LOANS RECEIVABLE

C. *Below Market Rate Loan*

The former Redevelopment Agency sponsors a program that provides homeownership opportunities to individuals and families of moderate-income by offering below-market rate deferred payment financing. The Agency provided below-market rate/deferred payment financing for ten (10) units located at 88 South Broadway and eight (8) units located at 1388 Broadway. The loans have a term of forty-five (45) years, and provided the Owner is not in default, no interest shall accrue on the principal balance of the loan. Upon the expiration of the forty-five (45) year agreement, the Owner may renew for an additional forty-five (45) years. The loan, together with sale proceeds exceeding the resale affordable price, is payable in full upon the sale, encumbrance or other transfer of property.

NOTE 6 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as those assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years.

During the fiscal year ended June 30, 2008 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, 2008, 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 those assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

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

Water and Waste Water Mains, Lines and Trunks	15-20 years
Buildings and Improvements	7-50 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.

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2013 comprise:

	Balance at June 30, 2012	Increases	Decreases	Balance at June 30, 2013
Governmental activities				
Capital assets not being depreciated:				
Land	$15,334,335			$15,334,335
Construction in process		$13,156		13,156
Total capital assets not being depreciated	15,334,335	13,156		15,347,491
Capital assets being depreciated:				
Building and Improvements	20,755,749	313,213		21,068,962
Furniture, Fixtures and Equipment	4,335,886	1,007,842	($26,064)	5,317,664
Automobiles and Trucks	344,655			344,655
Infrastructure	56,088,731	356,374	(45,687)	56,399,418
Total capital assets being depreciated	81,525,021	1,677,429	(71,751)	83,130,699
Less accumulated depreciation for:				
Building and Improvements	4,946,946	422,935		5,369,881
Furniture, Fixtures and Equipment	3,353,016	187,774	(7,062)	3,533,728
Automobiles and Trucks	325,056	6,172		331,228
Infrastructure	32,045,811	725,423	(19,053)	32,752,181
Total accumulated depreciation	40,670,829	1,342,304	(26,115)	41,987,018
Net capital assets	56,188,527	348,281	(45,636)	56,491,172
Internal Service Fund Capital Assets				
Building and Improvements	80,065			80,065
Furniture, Fixtures and Equipment	713,410			713,410
Automobiles and Trucks	2,304,056		(96,869)	2,207,187
Total capital assets being depreciated	3,097,531		(96,869)	3,000,662
Less accumulated depreciation for:				
Building and Improvements	44,091	1,301		45,392
Furniture, Fixtures and Equipment	386,012	44,890		430,902
Automobiles and Trucks	1,874,800	114,215	(86,739)	1,902,276
Total accumulated depreciation	2,304,903	160,406	(86,739)	2,378,570
Net Internal Service Capital Assets Being Depreciated	792,628	(160,406)	(10,130)	622,092
Governmental activity capital assets, net	$56,981,155	187,875	($55,766)	$57,113,264

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2012	Increases	Decreases	Transfers	Balance at June 30, 2013
Business-type activities					
Capital assets not being depreciated:					
Land	$1,785,218			($183,948)	$1,601,270
Construction in Progress	31,604,158	$14,399		(31,594,068)	24,489
Total capital assets not being depreciated	33,389,376	14,399		(31,778,016)	1,625,759
Capital assets, being depreciated:					
Building and Improvements	5,877,357	2,107,177		31,594,068	39,578,602
Furniture, Fixtures and Equipment	15,879,541	330,305	($105,560)		16,104,286
Automobiles and Trucks	70,367				70,367
Infrastructure	14,392,694	1,315,863	(25,845)	183,948	15,866,660
Total capital assets being depreciated	36,219,959	3,753,345	(131,405)	31,778,016	71,619,915
Less accumulated depreciation for:					
Land Improvements					
Building and Improvements	3,281,702	183,651			3,465,353
Furniture, Fixtures and Equipment	10,053,015	831,290	(38,624)		10,845,681
Automobiles and Trucks	59,960	2,543			62,503
Infrastructure	7,166,449	213,172	(13,285)		7,366,336
Total accumulated depreciation	20,561,126	1,230,656	(51,909)		21,739,873
Depreciable capital assets	15,658,833	2,522,689	(79,496)	31,778,016	49,880,042
Business-type activity capital assets, net	$49,048,209	$2,537,088	($79,496)		$51,505,801

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.

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	$195,503
Public Safety	94,106
Highways and Streets	721,462
Culture and Recreation	37,431
Community Development	293,802
Subtotal	1,342,304
Capital assets held by the City's Internal Service Funds	160,406
Total Governmental Activities	$1,502,710
Business-Type Activities	
Municipal Water System	$318,267
Municipal Wastewater Treatment Facility	869,412
Storm Drain	42,973
Total Business-Type Activities	$1,230,652

NOTE 7 - PROPERTY HELD FOR RESALE

During fiscal year 2013, the Successor Agency to the former Redevelopment Agency transferred land held for resale back to the Low and Moderate Income Housing Asset Special Revenue Fund in the amount of $587,223. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

NOTE 8 – LONG-TERM DEBT

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

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

Current Year Transactions and Balances

Governmental Activity Debt:	Original Issue Amount	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Current Portion
2001 Public Library General Obligation Bonds						
Public Library Project						
5.12%-8.5%, due 8/1/2036	$10,600,000	$10,045,000		$130,000	$9,915,000	$145,000
2004 Pension Obligation Bonds Series A-2						
4.35%-6.58%, due 6/1/2034	11,521,630	14,889,318	$935,157	890,000	14,934,475	925,000
Direct Lender Tax Exempt Loan						
4.25%, due 3/1/2024	2,555,000	2,426,000		163,000	2,263,000	166,000
Total Governmental Activity Debt		$27,360,318	$935,157	$1,183,000	$27,112,475	$1,236,000
Business-Type Activity Debt:						
Enterprise Funds:						
2009 State Water Resources Board						
Water Pollution Control Plant Renovation						
1%, due 4/1/2032	$28,397,180	$27,405,675	$1,196,751	$1,308,041	$27,294,385	$1,311,914
2009A Wastewater Revenue						
Certificates of Participation						
7.423%, due 12/1/2039	5,560,000	5,560,000			5,560,000	
2009B Wastewater Revenue						
Certificates of Participation						
2.0-5.125%, due 12/1/2034	10,250,000	7,020,000		150,000	6,870,000	155,000
Premium, net of amortization	123,774	110,984		4,951	106,033	
Total Business-Type Activity Debt		$40,096,659	$1,196,751	$1,462,992	$39,830,418	$1,466,914

A. 2001 – General Obligation Bonds – Public Library

On August 7, 2001, the City issued 2001 General Obligation Bonds in the amount of $10,600,000. The Bond proceeds were used to renovate, and construct an expansion area of the Millbrae Public Library. Semi-annual interest payments are due each February 1 and August 1, and principal is due on August 1 repayable from General Fund revenues until August 1, 2036. These bonds are repayable from a voter-approved tax levied for that purpose. The City has covenanted to direct the County to levy ad valorem taxes upon all property within the City subject to taxation. The total principal and interest remaining to be paid on the bonds is $17,595,660. Principal and interest paid for the current year was $632,674.

On August 1, 2013 the City issued 2013 General Obligation Refunding Bonds in the amount of $9,745,000 for the purpose to refinance all of the City's outstanding 2001 General Obligation Bonds (Millbrae Public Library Project). The net proceeds of the Bonds were used to defease and refund all of the 2001 Bonds. The 2001 Bond Redemption effective date was August 1, 2013 and did not have impact on the current year financial statements. However, the refinancing resulted in a net present value savings of $1.26 million over the remaining life of the bonds.

NOTE 8 – LONG-TERM DEBT (Continued)

B. 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, 2013, prepaid pension obligations amounted to $6,623,487.

The Bonds unaccreted discount totaled $13,845,525 at June 30, 2013. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. Repayments of the accreted principal commenced June 1, 2008.

C. 2009 State Water Resources Control Board Loan

On October 1, 2009 the City of Millbrae entered into a loan agreement with the State Water Resources Control Board, to fund the Water Pollution Control Plant Renovation Project. Under the agreement, the State Water Board agrees to provide project funds in the maximum amount of $28,397,180. The project funds will be repaid at an interest rate of one percent (1%) per annum. Repayment of project funds together with all interest accruing will be repaid in annual installments, beginning one year after the completion of the Water Pollution Control Plant. Annual principal and interest payments are due each November 30 until November 30, 2031. The total principal and interest remaining to be paid on the loan is $30,104,822. Principal and interest paid for the current year was $1,563,965.

D. 2009 - Certificates of Participation - Wastewater

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

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

Series B COP were issued in the principal amount of $10,250,000 to refinance the City's outstanding 2008 Subordinate Notes and 2005 bank note installment sale agreement. Principal payments are due annually on December 1 and interest payments are due semiannually on June 1 and December 1, through December 1, 2034. Debt service is payable from net revenue of municipal waste water treatment facility enterprise Fund. Interest ranges from 2.0% to 5.125%. The remaining debt service for the bank note installment sale agreement was $7,842,269 while the net debt service for the 2009 Series B COP related portion was $6,151,290; resulting in the aggregate difference in debt service amount of $1,690,978. The remaining debt service for the 2008 Subordinate Notes was $4,034,388 while the debt service for the 2009 Series B COP related portion was $4,007,789; resulting in the aggregate difference in debt service amount of $26,599. The economic gain on the transaction was a net present value benefit in the amount of $278,948.

NOTE 8 – LONG-TERM DEBT (Continued)

E. 2012 Direct Lender Tax Exempt Lease

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

Interest payments due on March 1 and September 1 of each year and principal due on March 1 are repayable from General Fund revenue. The total principal and interest remaining to be paid on the loan is $2,879,078. Principal and interest paid for the current year was $266,105.

F. Debt Service Requirements

Annual debt service requirements are shown below:

	Governmental Activities			Business-Type Activities		
Year ending June 30:	Principal (A)	Interest	Total	Principal	Interest	Total
2014	$1,236,000	$590,351	$1,826,351	$1,466,914	$1,018,675	$2,485,589
2015	1,289,000	575,797	1,864,797	1,484,640	1,001,225	2,485,865
2016	1,350,000	560,414	1,910,414	1,502,886	982,278	2,485,164
2017	1,407,000	544,091	1,951,091	1,526,265	962,099	2,488,364
2018	1,472,000	526,613	1,998,613	1,544,778	941,487	2,486,265
2019-2023	8,431,000	2,321,980	10,752,980	8,066,355	4,366,142	12,432,497
2024-2028	9,408,000	1,728,070	11,136,070	7,885,022	3,775,422	11,660,444
2029-2033	11,445,000	1,131,030	12,576,030	7,607,525	3,336,819	10,944,344
2034-2038	4,920,000	318,392	5,238,392	6,255,000	1,877,398	8,132,398
2039-2040				2,385,000	179,080	2,564,080
Total	$40,958,000	$8,296,738	$49,254,738	39,724,385	$18,440,625	$58,165,010
			Premium, net of amortization	106,033		
				$39,830,418		

(A) Includes unaccreted discount totaling $13,845,525

G. Debt without City Commitment

On September 1, 1997 the City sponsored the issuance of the City of Millbrae Residential Facility Revenue Bonds, Series 1997A which were issued in the aggregate principal amount of $30,000,000 to assist a developer in financing the cost of site acquisition, demolition and construction of a 158 unit assisted living facility and parking garage. The Bonds are payable solely out of the revenues from operating the facility and the project is pledged as security for the Bonds. The City has no legal or moral liability with respect to the payment of this debt. The outstanding principal balance at June 30, 2013 was $23,315,000.

NOTE 9 – NET POSITION AND FUND BALANCES

A. Net Position

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

Net investment in capital assets, describes the portion of Net Position 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 Position 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 Position which is not restricted to use.

B. Fund Balance

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

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

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

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

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

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

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

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

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's fund balances as of June 30, 2013, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Asset Special Revenue Fund	Other Governmental Funds	Total
Nonspendable:				
Advances to other funds	$298,057			$298,057
Total Nonspendable Fund Balances	298,057			298,057
Restricted for:				
Low and Moderate Income Housing		$1,228,639		1,228,639
Measure A			$1,428,966	1,428,966
Gas Tax			654,129	654,129
AB2928 Grant			1,552,946	1,552,946
Special Recreation			172,238	172,238
Integrated Waste Management			229,134	229,134
Other			3,992,863	3,992,863
Sister City			10,585	10,585
Joint Fire Training			143,953	143,953
Millbrae Station Area Developer Fee			3,194,653	3,194,653
1999 COPs Debt Service			105,867	105,867
Library Bonds Debt Service			791,811	791,811
2004 General Obligation Bonds Debt			933	933
Developer Fee Capital Projects			244,526	244,526
Total Restricted Fund Balances		1,228,639	12,522,604	13,751,243
Assigned for:				
Other purposes	5,205,122			5,205,122
Total Assigned Fund Balances	5,205,122			5,205,122
Unassigned	5,057,221			5,057,221
Total Fund Balances	$10,560,400	$1,228,639	$12,522,604	$24,311,643

At June 30, 2013, the City assigned $2,817,305 of the General Fund's fund balance for unforeseen events and economic downturn reserve. The amount is determined by multiplying next fiscal year's projected expenditures by 15%.

C. *Deficit Fund Balance*

At June 30, 2013, the Workers' Compensation Internal Service Fund has a deficit fund balance in the amount of $864,847 which will be eliminated with future revenues.

NOTE 10 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	Safety	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	55	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	Fire: 25.808%	16.233%

	Safety	Miscellaneous
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.7%	2.0%
Required employee contribution rates	12.25%	6.50%
Required employer contribution rates	12.25%	6.70%

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.

NOTE 10 - RETIREMENT BENEFITS (Continued)

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Safety Plan			
June 30, 2011	$871,159	100%	$0
June 30, 2012	917,081	100%	0
June 30, 2013	625,615	100%	0
Miscellaneous Plan			
June 30, 2011	$721,219	100%	$0
June 30, 2012	866,708	100%	0
June 30, 2013	858,114	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Gain and losses that occur in the operation of risk pool are amortized over a rolling thirty year period.

The City prepaid its pension contributions with proceeds from the Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to $6,623,487 at June 30, 2013. During fiscal 2012-2013, the amortization of the prepayment decreased the actuarially required contributions by $490,892 to arrive at Annual Pension Costs of $1,483,729.

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.

NOTE 10 - RETIREMENT BENEFITS (Continued)

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

State-wide pool Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2009	$1,802,882,330	$1,520,081,328	$282,801,002	84.3%	$221,600,192	127.6%
2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%
2011	2,061,923,933	1,759,289,797	302,634,136	85.3%	225,026,216	134.5%

The City's Safety Plan represents approximately 2%, 2%, and 2% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of $5,095,266, $4,569,531 and $4,364,942 for those years.

State-wide pool Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2009	$2,140,438,884	$1,674,260,302	$466,178,582	78.2%	$440,071,499	105.9%
2010	2,297,871,345	1,815,671,616	482,199,729	79.0%	434,023,381	111.1%
2011	2,486,708,579	1,981,073,089	505,635,490	79.7%	427,300,410	118.3%

The City's Miscellaneous Plan represents approximately 1.7%, 2%, and 1% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of $7,133,741, $6,843,349 and $5,878,750 for those years.

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

B. Deferred Compensation Plan

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

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

NOTE 11 –POST-EMPLOYMENT BENEFITS

By Council resolution and through agreements with its labor units, the City provides certain health care benefits for retired employees (spouse and dependents are included) under third-party insurance plans. The City participates in the CalPERS health care plan, an agent multiple employer plan, which is governed under the California Public Employees Health and Medical Care Act (PEMCHA), however the City contributes to the plan on a pay-as-you go basis. Required retiree medical plan contributions are also governed by PEMCHA for member agencies. The City's OPEB Plan does not issue a publicly available financial report.

A summary of eligibility and retiree contribution requirements are shown below by bargaining unit:

Eligibility	• Service (50 & 5 years CalPERS service) or Disability retirement • Retire directly from City under CalPERS
Management & Confidential	PEMHCA Unequal Method: • Actives: City contributes premium up $1,385.62 • Retirees: City contribution equal to 5% of active contribution times years of participation in PEMHCA (max $100/month annual increase) • Management & Confidential joined PEMHCA in 1986 • City pays premium and reimburses Medicare Parts A, B & D • Total City payments not to exceed unequal method benefit caps: Cap 2013: $ 1,207.50 2014: $ 1,307.50 2015+: $1,385.62
Sanitation	• PEMHCA minimum
Firefighter	• City contributes maximum monthly amount of $221.50, reduced by PEMHCA minimum, if applicable
Teamsters	• Teamsters Local 856 Health & Welfare Trust • Retiree pays full premium • Not included in valuation
Surviving Spouse Benefit	• 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

As of June 30, 2013, approximately 47 participants were eligible to receive benefits.

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

Healthcare cost trend rate assumptions are as follows:

	Increase from Prior Year	
	Non-Medicare	Medicare
Year	HMO & PPO	HMO & PPO
2014	8.5%	8.9%
2015	8.0%	8.3%
2016	7.5%	7.8%
2017	7.0%	7.2%
2018	6.5%	6.7%
2019	6.0%	6.1%
2020	5.5%	5.6%
2021+	5.0%	5.0%

A. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a January 1, 2012 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% general inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over fixed 30 year closed amortization period.

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In fiscal year 2013, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC)	$1,121,000
Interest on net OPEB obligation	130,000
Adjustment to annual required contribution	(281,000)
Annual OPEB cost	970,000
Contributions made:	
City portion of current year premiums paid	624,363
Change in net OPEB obligation	345,637
Net OPEB Obligation at June 30, 2012	$3,248,033
Net OPEB Obligation at June 30, 2013	$3,593,670

The Plan's annual required contributions and actual contributions for the years ended June 30, 2013 are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of APC Contributed	Net OPEB Obligation
6/30/2011	$1,433,755	$440,952	30.76%	$2,789,658
6/30/2012	953,000	494,625	51.90%	3,248,033
6/30/2013	970,000	624,363	64.37%	3,593,670

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

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

(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B)	Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
1/1/2009	$0	$14,171	($14,171)	0.00%	$8,602	(164.7%)
1/1/2012	0	14,385	(14,385)	0.00%	5,549	(259.2%)

At June 30, 2013, the City assigned $2,184,462 of General Fund's fund balance for this postemployment benefit.

NOTE 12 - RISK MANAGEMENT

A. *Insurance Coverage*

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides $15,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's $100,000 deductible. ABAG Plan also provides $1,000,000 of employee theft coverage in the excess of the city's $5,000 deductible. For the year ended June 30, 2013, the City paid ABAG Plan $245,751 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 $500,000 self-insured retention. For the past three fiscal years, the amount of settlements did not exceed insurance coverage.

B. *Liability for Uninsured Claims*

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

NOTE 12 - RISK MANAGEMENT (Continued)

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

	Fiscal 2012-2013			
	Workers' Compensation Claims	General Liability Claims	Total	Fiscal 2011-2012 Totals
Balances, beginning of year	$1,408,181	$180,404	$1,588,585	$1,236,249
Net change in:				
Liability for current fiscal year claims	39,724	29,360	69,084	179,393
Claims incurred but not reported (IBNR) and adjustments	2,553,417	(150,821)	2,402,596	1,246,578
Claims paid	(1,541,322)	(12,325)	(1,553,647)	(1,073,635)
Balances, end of year	$2,460,000	$46,618	$2,506,618	$1,588,585
Current portion	$621,429	$41,956	$663,385	$930,181

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

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

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

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was $78,773 for the year ended June 30, 2013. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Transportation System Management

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

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

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

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

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES

A. Redevelopment Dissolution

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

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

ABx1 26 and AB1484 allowed three regulatory oversight authorities, the Successor Authority's Oversight Board, State Controller and Department of Finance (DOF), to review the former Authority's asset transfer, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. As of June 30, 2013 the State Controller's Office has yet to complete its asset transfer review.

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

In May 2013, the DOF completed its Due Diligence Review (DDR) of the Low and Moderate Housing Fund's cash balance available for allocation to the affected taxing entities. The Successor Agency complied with the DOF's determination by transmitting the payment of $21,442 to the County Auditor-Controller in May 2013.

In July 2013, the DOF completed its Due Diligence Review (DDR) for the other funds of the Successor Agency and determined that the cash balance available for allocation to the affected taxing entities are $2,331,079 million. The Successor Agency complied with the DOF's determination by transmitting the payments of $2,331,079 to the County Auditor-Controller in July 2013. This amount was recorded as an extraordinary item.

Effective January 31, 2012, all California redevelopment agencies were dissolved. Certain assets of the Authority's Low and Moderate Income Housing Fund were distributed to a Housing Successor; and all remaining Authority assets and liabilities were distributed to a Successor Agency.

Under the provisions of AB 1484, the City could elect to become the Housing Successor and retain the housing assets. The City elected to become the Housing Successor and on January 24, 2012, and on February 1, 2012 certain housing assets were transferred to the City's Housing Successor Special Revenue Fund.

Cash and investments of the Successor Agency as of June 30, 2012 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2013.

B. Property Held for Resale

As of June 30, 2013, the property held for resale was recorded in the amount of $1,324,591. The Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

C. *Capital Assets*

The Successor Agency assumed the capital assets of the Redevelopment Agency as of February 1, 2012. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The Successor Agency's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of capital assets.

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

Buildings and Improvements	7-50 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.

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2012	Retirements/ Adjustments	Balance at June 30, 2013
Capital assets not being depreciated:			
Land	$587,223	($587,223)	
Total capital assets not being depreciated	587,223	(587,223)	
Capital assets being depreciated:			
Building and Improvements	3,608		$3,608
Furniture, Fixtures and Equipment	41,391		41,391
Automobiles and Trucks	11,754		11,754
Infrastructure	475,320		475,320
Total capital assets being depreciated	532,073		532,073
Less accumulated depreciation for:			
Building and Improvements	1,904	($762)	1,142
Furniture, Fixtures and Equipment	12,399	1,533	13,932
Automobiles and Trucks	11,754		11,754
Infrastructure	63,047	13,751	76,798
Total accumulated depreciation	89,104	14,522	103,626
Net capital assets being depreciated	442,969	(14,522)	428,447
Capital Assets, net	$1,030,192	($601,745)	$428,447

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

D. Long-Term Debt

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

1. Tax Allocations Bonds and Loans

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

	Balance at June 30, 2012	Retirements	Balance at June 30, 2013
2005 Redevelopment Agency Tax Allocation Bonds 3.0-4.5%, due 8/1/2035	$7,800,000	$190,000	$7,610,000
Less current portion			(200,000)
Portion due in more than one year			$7,410,000

2. Debt Service Requirements

Debt service requirements are as follows:

Year ending June 30:	Principal	Interest	Total
2014	$200,000	$333,650	$533,650
2015	205,000	326,563	531,563
2016	210,000	319,038	529,038
2017	225,000	310,882	535,882
2018	235,000	302,110	537,110
2019-2023	1,330,000	1,356,229	2,686,229
2024-2028	1,650,000	1,031,170	2,681,170
2029-2033	2,065,000	601,094	2,666,094
2034-2036	1,490,000	107,157	1,597,157
Total	$7,610,000	$4,687,893	$12,297,893

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

3. *2005 Redevelopment Agency Tax Allocation Bonds*

On January 13, 2005, the Redevelopment Agency issued 2005 Redevelopment Agency Tax Allocation Bonds in the original principal amount of $8,590,000. The proceeds were used to repay the 1993 Tax Allocation Bonds and to finance redevelopment activities in the project area. As a result, the 1993 Bonds were called on March 1, 2005. Interest payments are due each February 1 and August 1 and principal payments are due each August 1. These debt service payments are pledged by a security interest in and lien on Tax Revenues, as defined by the bond Indentures, which excludes 20% of set-aside deposited in the Low and Moderate Income Housing Fund; and pass through payments which are required to be paid to other public agencies under the tax sharing agreements unless subordinated. With the dissolution of the former Redevelopment Agency discussed above, tax Increment is no longer distributed, and instead the Successor Agency receives payments from the County's Redevelopment Property Tax Trust Fund (RPTTF) that are to be used to fund debt service on the Bonds, with no distinction between housing and non-housing revenues.

The total principal and interest remaining to be paid on the bonds is $12,297,893. Principal and interest paid for the current year was $530,475.

E. *Commitments and Contingencies*

4. *State Approval of Enforceable Obligations*

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

5. *State Asset Transfer Review*

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

NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES (Continued)

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

NOTE 16 – SUBSEQUENT EVENTS

A. 2013 – General Obligation Bonds – Public Library Bonds Refinancing

On August 1, 2013 the City issued 2013 General Obligation Refunding Bonds in the amount of $9,745,000 for the purpose to refinance all of the City's outstanding 2001 General Obligation Bonds (Millbrae Public Library Project). The net proceeds of the Bonds were used to defease and refund all of the 2001 Bonds. The 2001 Bond Redemption effective date was August 1, 2013 and did not have impact on the current year financial statements.

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.

CITY OF MILLBRAE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property tax	$7,993,590	$7,993,590	$8,538,919	$545,329
Sales tax	2,072,000	2,072,000	2,162,011	90,011
Transient occupancy tax	3,733,827	3,733,827	4,985,527	1,251,700
Franchise tax	981,000	981,000	858,986	(122,014)
Other taxes	195,400	195,400	194,493	(907)
Licenses and permits	790,000	790,000	865,298	75,298
Charges for services	793,544	765,984	793,515	27,531
Fines and forfeitures	1,314,500	1,314,500	1,165,881	(148,619)
Use of money and property	323,594	323,594	439,237	115,643
Grants and intergovernmental			101,724	101,724
Miscellaneous	447,052	447,052	424,012	(23,040)
Total Revenues	18,644,507	18,616,947	20,529,603	1,912,656
EXPENDITURES:				
Current:				
General government:				
City council	87,010	87,010	100,127	(13,117)
City clerk	175,646	175,646	156,078	19,568
Administration	259,446	188,831	160,076	28,755
Attorney	343,000	343,000	118,793	224,207
General services:				
Finance	1,141,831	1,141,831	1,077,684	64,147
Human resource	298,801	298,801	273,699	25,102
General government building	156,500	156,500	132,056	24,444
Non-departmental	1,170,910	1,170,910	595,743	575,167
Total general government	3,633,144	3,562,529	2,614,256	948,273
Public safety:				
Police	6,378,611	6,378,611	5,568,884	809,727
Fire	4,855,722	4,855,722	4,325,046	530,676
Total public safety	11,234,333	11,234,333	9,893,930	1,340,403
Highways and streets:				
Engineering	829,141	829,581	679,517	150,064
Maintenance	247,037	247,037	233,727	13,310
Total highways and streets	1,076,178	1,076,618	913,244	163,374
Culture and recreation	9,294	9,294	3,283	6,011
Community development	1,859,730	1,930,346	1,861,261	69,085
Capital outlay	250,000		41,705	(41,705)
Total Expenditures	18,062,679	17,813,120	15,327,679	2,485,441
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	581,828	803,827	5,201,924	4,398,097
OTHER FINANCING SOURCES (USES)				
Transfers in		339,240	397,301	58,061
Transfers (out)	(828,928)	(909,432)	(532,027)	377,405
Total other financing sources (uses)	(828,928)	(570,192)	(134,726)	435,466
NET CHANGE IN FUND BALANCES	($247,100)	$233,635	5,067,198	$4,833,563
BEGINNING FUND BALANCE			5,493,202	
ENDING FUND BALANCE			$10,560,400	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The legal level of budgetary control is the fund level and the Council must approve any revision of budget that increases the total expenditures of any fund. All appropriations remaining at year-end lapse, except for purchases in progress. With City Council approval, prior year unexpended and open project and grant appropriations will be rolled-over into the new fiscal year.

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

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

AB2928 Grant – To account for grants received from AB2928.

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

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

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

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

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

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

Debt Service Funds

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

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

2004 Taxable Pension Obligation Bonds – To account for payment of principal and interest on the City's share of the 2004 California Statewide Communities Development Authority Capital Appreciation Bonds.

Capital Project Funds

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

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Gas Tax	AB2928 Grant
ASSETS				
Cash and investments		$1,385,736	$658,948	$1,567,165
Cash with fiscal agents				
Receivables:				
Taxes		46,283		
Accounts - net				
Due from other governmental agencies				
Total Assets		$1,432,019	$658,948	$1,567,165
LIABILITIES				
Accounts payable and accrued payroll		$3,053	$4,819	$14,219
Deposits				
Unearned revenue				
Total Liabilities		3,053	4,819	14,219
FUND BALANCE				
Fund balances:				
Restricted		1,428,966	654,129	1,552,946
Total Fund Balances		1,428,966	654,129	1,552,946
Total Liabilities and Fund Balances		$1,432,019	$658,948	$1,567,165

SPECIAL REVENUE FUNDS

Special Recreation	Integrated Waste Management	Other	Sister City	Joint Fire Training	Millbrae Station Area Developer Fee - Operating
$376,461	$261,898	$3,787,062	$10,585	$147,524	$3,195,653
23,545					
	6,212	361,210			
$400,006	$268,110	$4,148,272	$10,585	$147,524	$3,195,653
$43,149	$2,726	$114,142		$3,571	
39,571	36,250	17,500			$1,000
145,048		23,767			
227,768	38,976	155,409		3,571	1,000
172,238	229,134	3,992,863	$10,585	143,953	3,194,653
172,238	229,134	3,992,863	10,585	143,953	3,194,653
$400,006	$268,110	$4,148,272	$10,585	$147,524	$3,195,653

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUND	
	1999 COPS	Library Bonds	2004 Pension Obligation Bonds	Developer Fee	Total Nonmajor Governmental Funds
ASSETS					
Cash and investments	$105,867	$791,811	$461	$295,513	$12,584,684
Cash with fiscal agents			472		472
Receivables:					
Taxes					46,283
Accounts - net					23,545
Due from other governmental agencies					367,422
Total Assets	$105,867	$791,811	$933	$295,513	$13,022,406
LIABILITIES					
Accounts payable and accrued payroll				$4,769	$190,448
Deposits				46,218	140,539
Unearned revenue					168,815
Total Liabilities				50,987	499,802
FUND BALANCE					
Fund balances:					
Restricted	$105,867	$791,811	$933	244,526	12,522,604
Total Fund Balances	105,867	791,811	933	244,526	12,522,604
Total Liabilities and Fund Balances	$105,867	$791,811	$933	$295,513	$13,022,406

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS			
	COPs and Other Grants	Measure A	Gas Tax	AB2928 Grant
GOVERNMENTAL REVENUES				
Property tax				
Other taxes		$469,522		
License and permits				
Charges for services				
Use of money and property		16,787	$6,855	$13,386
Grants and intergovernmental			342,510	191,928
Miscellaneous				
Total Revenues		486,309	349,365	205,314
EXPENDITURES				
Current:				
General government				
Public safety				
Highways and streets		67,759	270,143	53,818
Culture and recreation				
Community development				
Capital outlay		485,544		33,556
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures		553,303	270,143	87,374
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		(66,994)	79,222	117,940
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers (out)	($50,398)			
Total Other Financing Sources (Uses)	(50,398)			
NET CHANGE IN FUND BALANCES	(50,398)	(66,994)	79,222	117,940
BEGINNING FUND BALANCES	50,398	1,495,960	574,907	1,435,006
ENDING FUND BALANCES		$1,428,966	$654,129	$1,552,946

SPECIAL REVENUE FUNDS

Special Recreation	Integrated Waste Management	Other	Sister City	Joint Fire Training	Millbrae Station Area Developer Fee - Operating
		$41,474			$726,300
$751,442	$240,756	484,559		$89,429	64,456
271,641	2,364	33,727	$136		
	6,212	431,314			
9,552		14,739	2,112		
1,032,635	249,332	1,005,813	2,248	89,429	790,756
		576			
				92,908	
	168,017	481,514			
927,432			3,483		
		421,082			14,167
					120,000
927,432	168,017	903,172	3,483	92,908	134,167
105,203	81,315	102,641	(1,235)	(3,479)	656,589
2,000		176,921		135,710	
		(9,550)			(34,103)
2,000		167,371		135,710	(34,103)
107,203	81,315	270,012	(1,235)	132,231	622,486
65,035	147,819	3,722,851	11,820	11,722	2,572,167
$172,238	$229,134	$3,992,863	$10,585	$143,953	$3,194,653

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUND	
	1999 COPS	Library Bonds	2004 Pension Obligation Bonds	Developer Fee	Total Nonmajor Governmental Funds
GOVERNMENTAL REVENUES					
Property tax		$670,325			$670,325
Other taxes					469,522
License and permits				$391	768,165
Charges for services				8,782	1,639,424
Use of money and property			$666		345,562
Grants and intergovernmental			895,000		1,866,964
Miscellaneous					26,403
Total Revenues		670,325	895,666	9,173	5,786,365
EXPENDITURES					
Current:					
General government					576
Public safety					92,908
Highways and streets					1,041,251
Culture and recreation					930,915
Community development				10,935	446,184
Capital outlay				1,042,137	1,681,237
Debt service:					
Principal	$163,000	130,000	890,000		1,183,000
Interest and fiscal charges	103,105	503,469	4,733		611,307
Total Expenditures	266,105	633,469	894,733	1,053,072	5,987,378
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(266,105)	36,856	933	(1,043,899)	(201,013)
OTHER FINANCING SOURCES (USES)					
Transfers in	266,400				581,031
Transfers (out)				(290,049)	(384,100)
Total Other Financing Sources (Uses)	266,400			(290,049)	196,931
NET CHANGE IN FUND BALANCES	295	36,856	933	(1,333,948)	(4,082)
BEGINNING FUND BALANCES	105,572	754,955		1,578,474	12,526,686
ENDING FUND BALANCES	$105,867	$791,811	$933	$244,526	$12,522,604

CITY OF MILLBRAE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	MEASURE A			GAS TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes	$380,000	$469,522	$89,522			
License and permits						
Charges for services						
Fines and forfeitures						
Use of money and property	6,000	16,787	10,787	$2,000	$6,855	$4,855
Grants and intergovernmental				339,385	342,510	3,125
Miscellaneous						
Total Revenues	386,000	486,309	100,309	341,385	349,365	7,980
EXPENDITURES						
Current:						
General government:						
Non-Departmental						
Public safety:						
Fire						
Highways and streets						
Engineering						
Maintenance	314,252	67,759	246,493	343,148	270,143	73,005
Culture and recreation						
Community development						
Capital outlay	21,816	485,544	(463,728)			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	336,068	553,303	(217,235)	343,148	270,143	73,005
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,932	(66,994)	(116,926)	(1,763)	79,222	80,985
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	$49,932	(66,994)	($116,926)	($1,763)	79,222	$80,985
BEGINNING FUND BALANCES (DEFICITS)		1,495,960			574,907	
ENDING FUND BALANCES (DEFICITS)		$1,428,966			$654,129	

SPECIAL REVENUE FUNDS

AB2928 GRANT			SPECIAL RECREATION			INTEGRATED WASTE MANAGEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			$688,500	$751,442	$62,942	$245,566	$240,756	($4,810)
$2,000	$13,386	$11,386	220,000	271,641	51,641	500	2,364	1,864
238,455	191,928	(46,527)				5,500	6,212	712
				9,552	9,552			
240,455	205,314	(35,141)	908,500	1,032,635	124,135	251,566	249,332	(2,234)
						218,353	168,017	50,336
253,616	53,818	199,798						
			1,017,091	927,432	89,659			
267,900	33,556	234,344						
521,516	87,374	434,142	1,017,091	927,432	89,659	218,353	168,017	50,336
(281,061)	117,940	399,001	(108,591)	105,203	213,794	33,213	81,315	48,102
			90,389	2,000	(88,389)			
			90,389	2,000	(88,389)			
($281,061)	117,940	$399,001	($18,202)	107,203	$125,405	$33,213	81,315	$48,102
	1,435,006			65,035			147,819	
	$1,552,946			$172,238			$229,134	

(Continued)

CITY OF MILLBRAE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	SPECIAL REVENUE FUNDS					
	OTHER			SISTER CITY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits	$24,474	$41,474				
Charges for services	490,362	484,559	($5,803)			
Fines and forfeitures						
Use of money and property	23,100	33,727	10,627		$136	$136
Grants and intergovernmental	157,111	431,314	274,203			
Miscellaneous		14,739	14,739	$2,000	2,112	112
Total Revenues	695,047	1,005,813	310,766	2,000	2,248	248
EXPENDITURES						
Current:						
General government:						
Non-Departmental	576	576				
Public safety:						
Fire						
Highways and streets						
Engineering	16,022	31,799	(15,777)			
Maintenance	93,867	449,715	(355,848)			
Culture and recreation				2,000	3,483	(1,483)
Community development	677,027	421,082	255,945			
Capital outlay	467,325		467,325			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,254,817	903,172	351,645	2,000	3,483	(1,483)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(559,770)	102,641	662,411		(1,235)	(1,235)
OTHER FINANCING SOURCES (USES)						
Transfers in	235,812	176,921	(58,891)			
Transfers (out)	(2,000)	(9,550)	(7,550)			
Total Other Financing Sources (Uses)	233,812	167,371	(66,441)			
NET CHANGE IN FUND BALANCES	($325,958)	270,012	$595,970		(1,235)	($1,235)
BEGINNING FUND BALANCES		3,722,851			11,820	
ENDING FUND BALANCES (DEFICITS)		$3,992,863			$10,585	

SPECIAL REVENUE FUNDS						DEBT SERVICE FUNDS		
JOINT FIRE TRAINING			MILLBRAE STATION AREA DEVELOPER FEE - OPERATING			1999 COPS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
			$726,300	$726,300				
$110,778	$89,429	($21,349)	64,456	64,456				
110,778	89,429	(21,349)	790,756	790,756				
246,488	92,908	153,580						
			11,333	14,167	($2,834)			
			120,000	120,000				
						$163,000	$163,000	
						103,400	103,105	$295
246,488	92,908	153,580	131,333	134,167	(2,834)	266,400	266,105	295
(135,710)	(3,479)	132,231	659,423	656,589	(2,834)	(266,400)	(266,105)	295
135,710	135,710					266,400	266,400	
			(34,103)	(34,103)				
135,710	135,710		(34,103)	(34,103)		266,400	266,400	
	132,231	$132,231	$625,320	622,486	($2,834)		295	$295
	11,722			2,572,167			105,572	
	$143,953			$3,194,653			$105,867	

(Continued)

CITY OF MILLBRAE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	DEBT SERVICE FUNDS					
	LIBRARY BONDS			2004 PENSION OBLIGATION BONDS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax	$634,775	$670,325	$35,550			
Other taxes						
License and permits						
Charges for services						
Fines and forfeitures						
Use of money and property					$666	$666
Grants and intergovernmental				$895,000	895,000	
Miscellaneous						
Total Revenues	634,775	670,325	35,550	895,000	895,666	666
EXPENDITURES						
Current:						
General government:						
Non-Departmental						
Public safety						
Fire						
Highways and streets						
Engineering						
Maintenance						
Culture and recreation						
Community development						
Capital outlay						
Debt service:						
Principal	130,000	130,000		890,000	890,000	
Interest and fiscal charges	504,031	503,469	562	5,000	4,733	267
Total Expenditures	634,031	633,469	562	895,000	894,733	267
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	744	36,856	36,112		933	933
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	$744	36,856	$36,112		933	$933
BEGINNING FUND BALANCES		754,955				
ENDING FUND BALANCES (DEFICITS)		$791,811			$933	

INTERNAL SERVICE FUNDS

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

The City's Internal Service Funds are as follows:

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

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

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

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

Compensated Absences – To account for accumulation of earned compensation.

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2013

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
ASSETS						
Current Assets:						
Cash and investments	$1,186,092	$21,800	$1,582,945	$323,028	$1,143,242	$4,257,107
Receivable:						
Accounts - net	14,565	524	12,208			27,297
Due from other governmental agencies	2,468					2,468
Total Current Assets	1,203,125	22,324	1,595,153	323,028	1,143,242	4,286,872
Noncurrent Assets:						
Capital assets						
Depreciable capital assets, net	622,092					622,092
Total Assets	1,825,217	22,324	1,595,153	323,028	1,143,242	4,908,964
LIABILITIES						
Current Liabilities:						
Accounts payable	18,881			107		18,988
Compensated absences	307				437,089	437,396
Accrued self-insurance (Note 12)			621,429	41,956		663,385
Total Current Liabilities	19,188		621,429	42,063	437,089	1,119,769
Noncurrent Liabilities:						
Compensated absences	2,763				706,153	708,916
Accrued self-insurance (Note 12)			1,838,571	4,662		1,843,233
Total Liabilities	21,951		2,460,000	46,725	1,143,242	3,671,918
NET POSITION						
Net investments in capital assets	622,092					622,092
Unrestricted	1,181,174	22,324	(864,847)	276,303		614,954
Total Net Position (Deficits)	$1,803,266	$22,324	($864,847)	$276,303		$1,237,046

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
OPERATING REVENUES						
Equipment rental	$646,921					$646,921
Interdepartmental charges	57,256	$27,377	$812,394	$467,666		1,364,693
Miscellaneous	13,186		79,389			92,575
Total Operating Revenues	717,363	27,377	891,783	467,666		2,104,189
OPERATING EXPENSES						
Personnel services	88,688		70,379	55,686		214,753
Contractual services	127,896		117,566	12,018		257,480
Materials, supplies and other services	147,150					147,150
Depreciation	160,406					160,406
Insurance premiums and claims	10,627	5,053	1,584,443	129,963		1,730,086
Total Operating Expenses	534,767	$5,053	1,772,388	197,667		2,509,875
Operating Income (Loss)	182,596	22,324	(880,605)	269,999		(405,686)
NONOPERATING REVENUES (EXPENSES)						
Loss on disposal of capital assets	(10,129)					(10,129)
Interest revenue	606		81			687
Total Nonoperating Revenues (Expenses)	(9,523)		81			(9,442)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	173,073	22,324	(880,524)	269,999		(415,128)
Transfers in						
Transfers (out)	(138,320)					(138,320)
Transfers	(138,320)					(138,320)
Change in Net Position	34,753	22,324	(880,524)	269,999		(553,448)
BEGINNING NET POSITION	1,768,513		15,677	6,304		1,790,494
ENDING NET POSITION (DEFICIT)	$1,803,266	$22,324	($864,847)	$276,303		$1,237,046

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Leave Accrual	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	$719,281	$26,853	$879,575	$474,012	($740,242)	$1,359,479
Payments to suppliers	(285,748)		(117,566)	(21,877)		(425,191)
Payments to employees	(109,382)		(70,379)	(55,686)		(235,447)
Claims paid		(5,053)	(532,624)	(263,749)		(801,426)
Cash Flows from Operating Activities	324,151	21,800	159,006	132,700	(740,242)	(102,585)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers (out)	(138,320)					(138,320)
Cash Flows from Noncapital Financing Activities	(138,320)					(138,320)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income	607		81			688
Cash Flows from Investing Activities	607		81			688
Net Cash Flows	186,438	21,800	159,087	132,700	(740,242)	(240,217)
Cash and investments at beginning of period	999,654		1,423,858	190,328	$1,883,484	4,497,324
Cash and investments at end of period	$1,186,092	$21,800	$1,582,945	$323,028	$1,143,242	$4,257,107
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	$182,596	$22,324	($880,605)	$269,999		($405,686)
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation	160,406					160,406
Change in assets and liabilities:						
Accounts receivable	(14,565)	(524)	(12,208)	6,346		(20,951)
Due from other governmental agencies	16,483					16,483
Accounts payable	(75)			(9,859)		(9,934)
Compensated absences	(20,694)				(740,242)	(760,936)
Accrued self-insurance			1,051,819	(133,786)		918,033
Cash Flows from Operating Activities	$324,151	$21,800	$159,006	$132,700	($740,242)	($102,585)

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

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

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

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

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

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

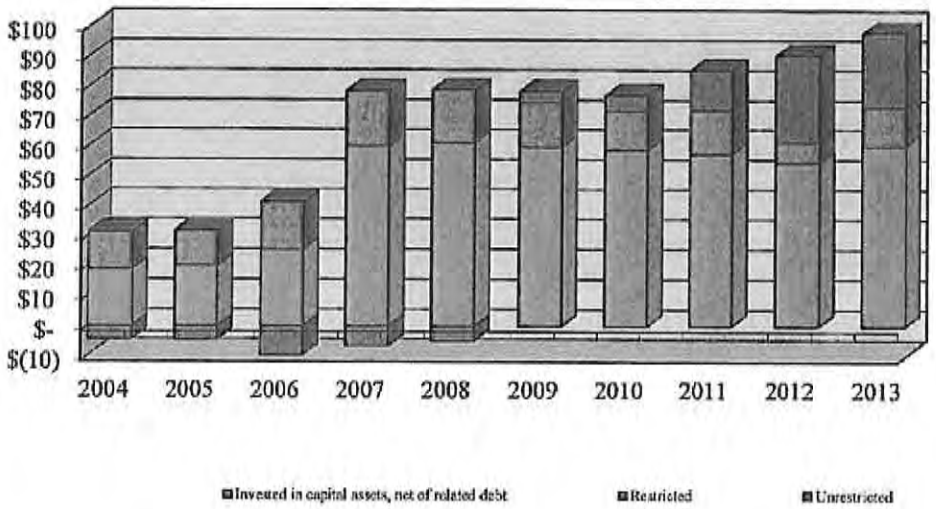
1. Demographic and Economic Statistics
2. Principal Employers

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

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

Sources
Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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



	June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$7.9	$8.8	$8.7	$49.6	$49.0	$48.8	$47.2	$46.4	$44.5	$47.2
Restricted	12.5	11.8	16.0	18.7	17.6	15.1	13.2	14.7	6.9	13.2
Unrestricted	(8.6)	(8.6)	(10.3)	(10.7)	(8.7)	(4.8)	(3.7)	0.1	12.6	8.6
Total governmental activities net position	$11.8	$12.0	$14.4	$57.6	$57.9	$59.1	$56.7	$61.2	$64.0	$69.0
Business-type activities										
Net investment in capital assets	$11.0	$11.2	$16.7	$10.4	$12.1	$10.9	$11.5	$11.1	$10.2	$13.0
Unrestricted	4.2	4.0	(0.6)	4.0	4.1	8.5	9.1	13.4	16.4	16.2
Total business-type activities net position	$15.2	$15.2	$16.1	$14.4	$16.2	$19.4	$20.6	$24.5	$26.6	$29.2
Primary government										
Net investment in capital assets	$18.9	$20.0	$25.4	$60.0	$61.1	$59.7	$58.7	$57.5	$54.7	$60.2
Restricted	12.5	11.8	16.0	19	18	15	13.2	14.7	6.9	13.2
Unrestricted	(4.4)	(4.6)	(10.9)	(6.7)	(5.0)	3.7	5.4	13.3	29.0	24.8
Total primary government net position	$27.0	$27.2	$30.5	$72.0	$74.1	$78.5	$77.3	$85.5	$90.6	$98.2

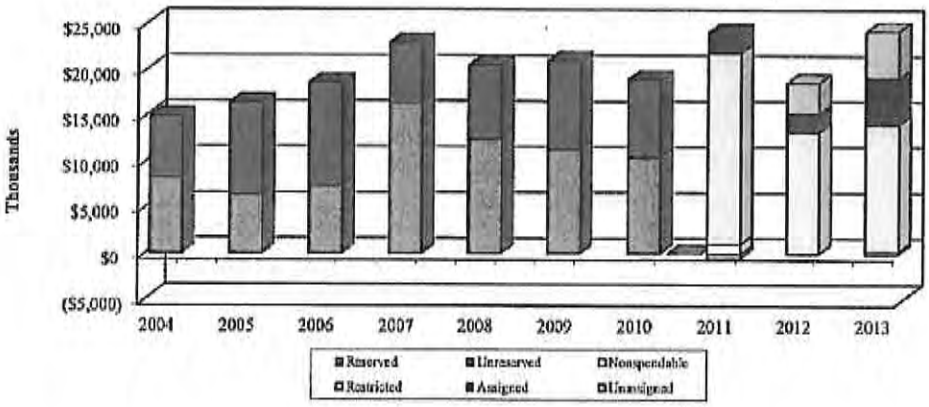
CITY OF MILLBRAE
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

	For the year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	$1.3	$1.4	$1.8	$1.9	$2.1	$2.1	$2.2	$2.3	$4.1	$3.2
Public Safety	9.0	8.8	8.8	6.4	10.0	11.7	12.5	11.7	12.1	10.8
Highway and Streets	1.8	1.6	1.5	5.6	4.3	4.1	3.6	2.4	1.1	2.7
Culture and Recreation	2.6	3.1	2.1	1.5	1.5	1.5	1.4	1.2	1.1	1.0
Community Development	1.3	2.0	3.0	5.3	5.1	6.9	8.6	6.3	2.9	2.7
Interest on Long-Term Debt	1.6	1.5	2.9	2.0	2.5	2.1	2.1	2.1	2.0	1.5
Total Governmental Activities Expenses	17.6	18.4	20.1	22.7	25.5	28.4	30.4	26.0	23.3	21.9
Business-Type Activities:										
Municipal Water System	3.6	3.5	3.5	3.8	4.2	4.4	4.9	5.1	5.9	6.4
Municipal Wastewater Treatment Facility	3.7	3.9	4.4	5.2	5.1	5.6	6.1	5.4	6.7	6.6
Storm Drain	0.3	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.4
Total Business-Type Activities Expenses	7.6	7.7	8.3	9.4	9.8	10.4	11.5	11.0	13.1	13.4
Total Primary Government Expenses	25.2	26.1	28.4	32.1	35.3	38.8	41.9	37.0	36.4	35.3
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	0.1	0.1	0.3	0.3	0.7	0.7	1.1	1.2	1.5	2.4
Public Safety	0.7	0.5	0.7	1.1	1.2	1.8	1.9	1.9	1.8	0.8
Highway and Streets	0.2	0.2	0.3	0.8	0.4	1.9	0.4	0.4	0.4	1.1
Culture and Recreation	0.8	0.7	0.9	0.8	0.7	0.9	0.9	1.0	1.0	1.0
Community Development	1.8	0.5	0.6	2.0	1.1	3.3	2.0	3.5	1.0	1.1
Operating Grants and Contributions	1.3	1.3	2.8	1.8	1.2	1.7	1.1	1.1	0.8	1.6
Total Government Activities Program Revenues	4.9	3.3	5.6	6.8	5.3	10.3	7.4	9.1	6.5	8.0
Business-Type Activities:										
Charges for Services:										
Municipal Water System	4.0	3.6	3.9	4.4	4.9	5.7	5.4	5.8	6.2	6.7
Municipal Wastewater Treatment Facility	3.8	3.8	4.5	5.0	5.8	6.5	7.6	8.5	8.4	8.5
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Capital Grants and Contributions	0.2									
Total Business-Type Activities Program Revenue	8.2	7.6	8.6	9.6	10.9	12.4	13.2	14.6	14.9	15.5
Total Primary Government Program Revenues	13.1	10.9	14.2	16.4	16.2	22.7	20.6	23.7	21.4	23.5
Net (Expense)/Revenue										
Governmental Activities	(12.7)	(15.1)	(14.5)	(15.9)	(20.2)	(18.1)	(23.0)	(16.9)	(16.8)	(13.9)
Business-Type Activities	0.6	(0.1)	0.3	0.2	1.1	2.0	1.7	3.6	1.8	2.1
Total Primary Government Net Expense	($12.1)	($15.2)	($14.2)	($15.7)	($19.1)	($16.1)	($21.3)	($13.3)	($15.0)	($11.8)

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

	For the year ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	$5.6	$8.5	$9.6	$10.9	$11.9	$13.1	$13.4	$13.4	$10.9	$9.2
Sales Taxes	2.0	1.9	2.2	2.4	2.2	2.4	2.0	2.2	2.2	2.2
Motor Vehicle In-Lieu	1.0	0.5	0.1	0.1	0.1	0.1	0.1	0.1		
Transient Occupancy Tax	2.2	2.3	2.6	2.9	3.3	2.8	2.9	3.7	3.9	5.0
Other Taxes	1.0	1.2	1.7	1.4	1.5	1.4	1.6	1.6	1.7	1.5
Interest Earnings	0.3	0.7	0.5	1.2	1.0	(0.2)	0.3	0.2	0.2	0.4
Other	2.5	0.2	0.2	0.4	0.7	0.3	0.3	0.3	0.2	0.8
Transfers			(0.1)		(0.3)	(0.5)	0.4	(0.3)	(0.2)	(0.1)
Extraordinary item									0.8	
Total Government Activities	14.6	15.2	16.8	19.3	20.4	19.4	21.0	21.2	19.7	18.9
Business-Type Activities:										
Interest Earnings	0.3	0.1	0.2	0.2	0.2	0.2		0.1	0.1	0.2
Miscellaneous				0.3	0.3	0.1	0.8	(0.3)		0.1
Transfers and Other	(0.1)			0.1	0.3	0.4	0.5	(0.4)	0.3	0.1
Total Business-Type Activities	0.2	0.1	0.2	0.6	0.8	0.7	1.3	(0.6)	0.4	0.5
Total Primary Government	14.8	15.3	17.0	19.9	21.2	20.1	22.3	20.6	20.1	19.4
Change in Net Position										
Governmental Activities	1.9	0.1	2.3	3.4	0.2	0.2	1.3	(2.0)	4.3	5.0
Business-Type Activities	0.8	0.0	0.5	0.8	1.9	1.8	3.3	1.1	4.0	2.6
Total Primary Government	$2.7	$0.1	$2.8	$4.2	$2.1	$2.0	$4.6	($0.9)	$8.3	$7.6

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



	June 30,					
	2004	2005	2006	2007	2008	
General Fund						
Reserved	$1,086,073	$1,435,087	$1,305,552	$1,714,021	$1,216,313	
Unreserved	(665,816)	117,878	1,399,190	2,982,238	1,684,476	
Nonspendable						
Assigned						
Unassigned						
Total General Fund	$420,257	$1,552,965	$2,704,742	$4,696,259	$2,900,789	(a)
All Other Governmental Funds						
Reserved	$7,094,675	$4,920,951	$5,994,916	$14,623,608	$11,216,290	
Unreserved, reported in:						
Special revenue funds	6,827,715	4,145,428	8,575,778	4,042,908	5,411,096	
Capital project funds	579,509	5,846,761	1,359,947	(362,503)	1,010,397	
Nonspendable						
Restricted						
Unassigned						
Total all other governmental funds	$14,501,899	$14,913,140	$15,930,641	$18,304,013	$17,637,783	

	2009	2010	2011	2012 (b)	2013	
General Fund						
Reserved	$1,181,922	$1,186,935				
Unreserved	1,567,044	1,675,398				
Nonspendable			$1,040,100	$29,860	$298,057	
Assigned			2,264,565	2,171,454	5,205,122	
Unassigned			788,991	3,291,888	5,057,221	
Total General Fund	$2,748,966	$2,862,333	$4,093,656	$5,493,202	$10,560,400	(a)
All Other Governmental Funds						
Reserved	$10,174,496	$9,253,798				
Unreserved, reported in:						
Special revenue funds	6,267,513	4,914,750				
Capital project funds	1,922,889	1,971,780				
Nonspendable						
Restricted			$20,860,686	$13,174,286	$13,751,243	
Unassigned			(1,228,417)	(23,248)		
Total all other governmental funds	$18,364,898	$16,140,328	$19,632,269	$13,151,038	$13,751,243	

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

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

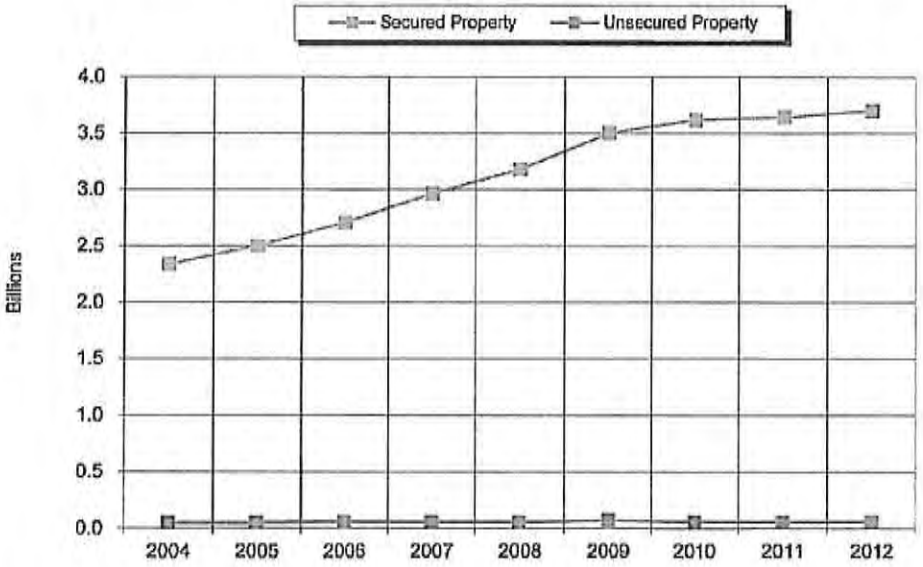
	Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
Revenues					
Taxes	$11,338,355	$14,291,554	$16,191,092	$17,815,200	$19,167,621
Licenses, permits and fees	565,594	349,179	474,612	1,044,495	530,799
Charges for services	2,674,024	1,379,653	1,840,334	2,957,931	2,275,012
Fines and forfeitures	291,095	203,223	358,782	700,717	592,195
Use of money and property	426,685	807,830	763,161	1,562,303	1,443,506
Grants and intergovernmental	1,940,142	2,004,196	1,129,260	1,271,907	1,295,216
Miscellaneous	1,958,367	369,532	229,921	406,738	792,893
Total Revenues	19,433,725	19,194,262	19,405,167	20,987,162	25,759,291
Expenditures					
Current:					
General government	$1,216,074	$1,162,097	$1,475,679	$1,731,518	$1,846,271
Public safety	8,333,506	8,346,122	8,414,172	8,758,410	9,851,524
Highways and streets	1,575,042	1,336,560	1,430,631	1,803,807	2,175,594
Culture and recreation	1,497,215	1,695,953	2,057,200	1,306,120	1,456,488
Community development	2,205,659	3,027,175	3,391,005	4,373,645	5,071,248
Capital outlay	7,767,178	3,909,191	663,204	2,157,024	1,666,662
Debt service:					
Principal repayment	420,000	5,330,000	807,350	379,928	1,150,376
Interest and fiscal charges	1,510,795	1,205,110	1,231,034	1,238,788	1,227,636
Total Expenditures	21,930,137	24,525,469	26,012,208	19,470,275	21,749,240
Excess (deficiency) of revenues over (under) expenditures	(5,331,207)	(6,607,041)	1,516,887	4,010,051	1,651,443
Other Financing Sources (Uses)					
Transfers in	904,673	1,515,967	2,696,763	2,081,633	3,461,056
Transfers (out)	(1,207,173)	(1,954,977)	(2,232,446)	(2,215,841)	(4,011,125)
Proceeds from long-term debt	11,521,630	8,590,000	188,074	489,046	25,000
Payment to retirement plan	(11,200,000)				
Payment to escrow agent					
Sale of capital assets	604,755				
Total other financing sources (uses)	623,885	8,150,990	652,391	354,838	(525,069)
Net change in fund balances before extraordinary item	(4,707,322)	1,543,949	2,169,278	4,364,889	1,126,374
Extraordinary item					
Net change in fund balances	($4,707,322)	$1,543,949	$2,169,278	$4,364,889	$1,126,374
Debt service as a percentage of noncapital expenditures	11.5%	29.6%	11.4%	8.4%	10.4%

Note: (A) Information not available.

Fiscal Year Ended June 30,				
2009	2010	2011	2012	2013
$20,081,107	$19,922,116	$20,876,511	$18,724,073	$17,879,783
629,695	787,170	665,289	998,214	1,633,463
6,219,277	2,169,540	4,205,335	2,462,577	2,432,939
854,587	1,097,610	1,313,498	1,223,209	1,165,881
302,045	805,476	724,554	781,252	787,221
1,802,482	2,300,750	1,798,705	808,281	1,968,688
239,237	672,299	834,417	665,205	1,063,882
26,097,242	30,128,430	27,754,961	25,662,811	26,931,857
$1,801,585	$1,690,298	$1,796,972	$2,160,416	$2,614,832
10,668,650	11,159,828	10,712,547	11,665,202	9,986,838
1,995,038	2,070,733	1,620,416	1,780,137	1,954,495
1,442,001	1,296,878	1,105,585	1,055,993	934,198
5,207,855	9,669,345	5,862,770	4,234,460	2,319,047
5,647,530	906,073	297,200	760,286	1,722,942
1,124,366	1,176,898	1,295,105	1,289,000	1,183,000
1,194,519	1,176,578	1,158,685	1,102,398	611,307
24,445,799	29,081,544	29,146,631	24,047,892	21,326,659
1,046,886	(1,391,670)	6,569,029	1,614,919	5,605,198
7,930,991	4,892,099	3,049,536	1,658,279	978,332
(8,403,585)	(5,229,632)	(4,895,301)	(2,006,475)	(916,127)
			2,555,000	
			(2,850,000)	
1,000			25,221	
(471,594)	(337,533)	(1,845,765)	(617,975)	62,205
575,292	(1,729,203)	4,723,264	996,944	5,667,403
$575,292	($1,729,203)	$4,723,264	($5,081,685)	$5,667,403
8.5%	8.6%	10.4%	10.9%	9.1%

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS



Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other	TOTAL Secured Property	TOTAL Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
2004	1,995,001,513	214,600,948	23,896,936	53,468,932	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.24089%
2005	2,140,414,555	224,832,740	26,822,125	56,068,678	2,448,138,098	53,210,888	2,501,348,986	2,501,348,986	0.24040%
2006	2,328,525,501	233,450,555	27,468,703	59,588,126	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24339%
2007	2,530,573,659	261,604,654	36,210,882	78,013,790	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25359%
2008	2,733,074,818	263,281,277	36,695,559	92,843,377	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25739%
2009	2,966,830,896	305,280,936	36,957,380	117,992,283	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%
2012	3,182,354,909	380,230,791	37,670,906	38,936,275	3,639,192,881	64,777,111	3,703,969,992	3,703,969,992	0.28129%
2013	3,285,956,955	348,314,575	42,036,033	109,222,251	3,785,529,814	59,066,096	3,844,595,910	3,844,595,910	0.29759%

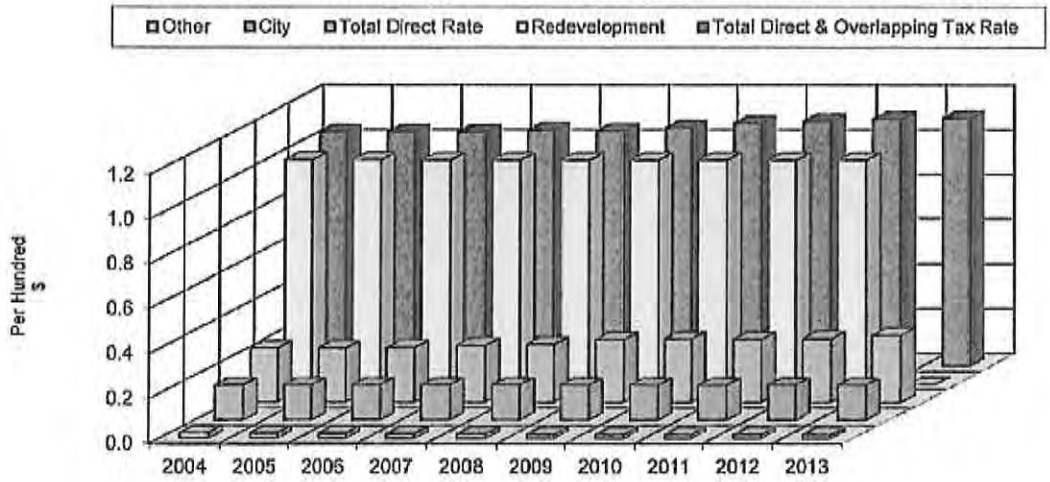
(a) The California State Constitution requires property to be assess at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount.

Sources: Hdl Companies
San Mateo County Assessor Combined Tax Rolls from 2002/2003-2012/2013

PROPERTY TAX RATES ALL OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS



Fiscal Year	Basic Levy (a)	Schools	County	Total Direct & Overlapping Tax Rate (b)	City (c)	Other	Redevelopment (d)	Total Direct Rate (e)
2004	1.0000	0.0226	0.0264	1.0490	0.1579	0.0264	1.0015	0.24089
2005	1.0000	0.0239	0.0244	1.0483	0.1579	0.0244	1.0007	0.24040
2006	1.0000	0.0239	0.0224	1.0463	0.1579	0.0224	1.0000	0.24339
2007	1.0000	0.0340	0.0215	1.0555	0.1579	0.0215	1.0000	0.25359
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.25739
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.0176	1.0000	0.27861
2012	1.0000	0.0877	0.0175	1.1052	0.1579	0.0175	1.0000	0.28129
2013	1.0000	0.0930	0.0169	1.1099	0.1579	0.0169	-	0.29759

(a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for payment of any voter approved bonds.

(b) Overlapping rates are those of local and county government that apply to property owners within the City. Not all overlapping rates apply to all City property owners.

(c) The City's share of the 1.00% levy is based on the City's share of the General Fund tax rate area with the largest net taxable value within the City. Educational Revenue Augmentation (ERAF) General Fund tax shifts may not be included in tax ratio figures.

(d) The Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area and includes only rate (s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABx1 26 eliminated RDAs from California for fiscal year 2012/13 and years thereafter.

(e) Total Direct Rate is the weighted average of all individual direct rates applied by the Government preparing the statistical section information.

Sources: Hdl Companies

San Mateo County Assessor Annual Tax Increment Tables

TOP TEN PROPERTY TAXPAYERS

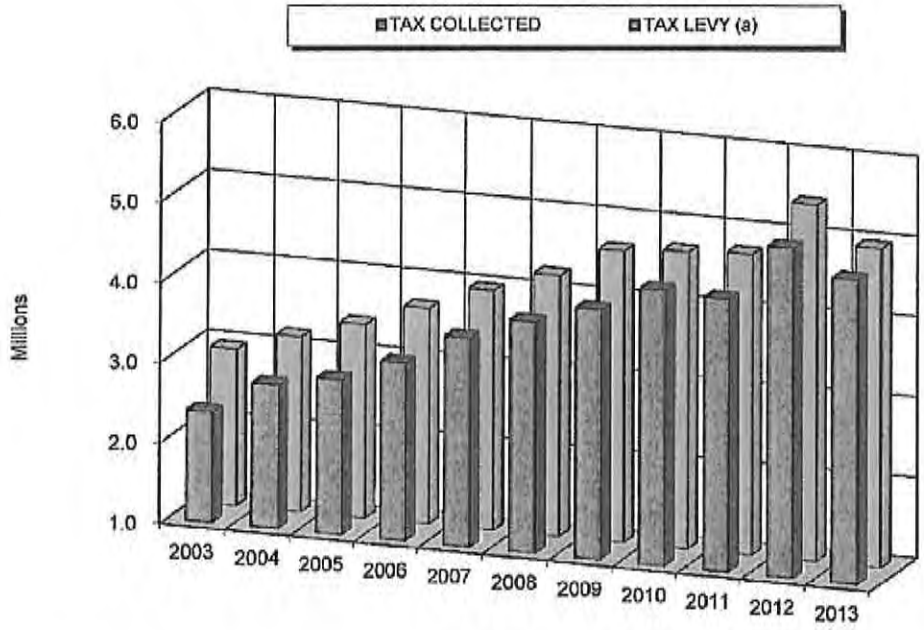
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2002-2003		Fiscal Year 2012-2013	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Westin Bay Hotel Company	39,722,474	1.83%	46,132,106	1.22%
OR Property Holdings			34,738,320	0.92%
Magnolia of Millbrae, Inc.	24,223,575	1.12%	28,013,871	0.74%
Marymount Greenhills LLC	18,337,802	0.85%	21,805,693	0.58%
Starwood S F Clarion Realty LLC			17,300,000	0.46%
Simeon SPFVEF LLC			15,398,829	0.41%
Friend Friend and Friend			14,935,242	0.39%
Millbrae Paradise			14,445,532	0.38%
Wilson Plaza LLC			12,064,559	0.32%
Real Property Storage LLC			11,652,454	0.31%
Green Hills Country Club			11,650,920	0.31%
EQR Skyline Terrace LP			9,858,300	0.26%
John and Susan C Williams Trust	8,120,731	0.37%	9,551,136	0.25%
Bernard and Lisa Corry Trust			9,277,985	0.25%
Cooper SF Realty LLC			8,428,275	0.22%
Thakor B. Desai Trust			7,000,000	0.18%
Millbrae Square Company LP			6,637,794	0.18%
TOTAL TOP TEN	**90,404,582**	**4.17%**	**278,891,016**	**7.37%**
Total Secured Assessed Valuation:	2,167,967,092		3,785,529,814	

Source: California Municipal Statistics, Inc.

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS



Fiscal Year	TOTAL TAX LEVY (a)	Current Tax Collections	San Mateo County Collection Fee (b)	Percent of Levy Collected	Delinquent Tax Collection	TOTAL TAX COLLECTED	Percent of Tax Collected to Tax Levy
2004	3,182,827	2,623,965		82.4413%	165,925	2,789,890	87.6545%
2005	3,408,015	2,812,240		82.5184%	114,656	2,926,896	85.8827%
2006	3,682,039	2,952,070		80.1749%	258,862	3,210,932	87.2053%
2007	3,980,054	3,242,096		81.4586%	360,552	3,602,648	90.5176%
2008	4,251,621	3,461,893	41,329	82.3973%	375,457	3,878,679	91.2282%
2009	4,630,356	3,665,930	38,038	79.9932%	405,027	4,108,995	88.7404%
2010	4,692,363	3,826,720	49,131	82.5991%	549,352	4,425,203	94.3065%
2011	4,740,414	3,839,805	54,280	82.1465%	497,119	4,391,204	92.6333%
2012	5,430,088	4,517,348	52,564	84.1591%	533,297	5,103,209	93.9802%
2013	4,965,353	4,071,419	42,975	82.8621%	670,991	4,785,386	96.3755%

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

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

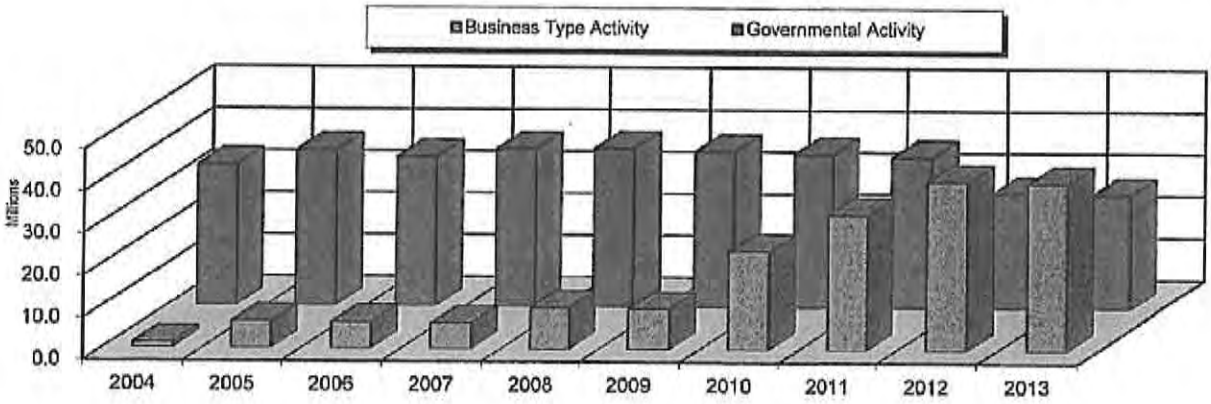
(b) San Mateo County Property Tax Collection Fee amounts are not available before 2008

Source: County of San Mateo Controller's Office

City of Millbrae Financial Records

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS



Governmental Activity

Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Loans (a)	TOTAL
2004	10,610,000	11,521,630	5,015,000	3,745,000	150,000	2,549,443	33,591,073
2005	10,555,000	11,657,290	8,590,000	3,635,000		2,686,858	37,124,148
2006	10,520,000	11,802,393	8,540,000	3,520,000		1,180,724	35,563,117
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095
2012	10,045,000	14,889,318				2,426,555	27,360,873
2013	9,915,000	14,934,475				2,263,000	27,112,475

Business Type Activity

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL	Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2004		1,361,700	1,361,700	34,952,773	0.09%	1,693
2005		6,486,209	6,486,209	43,610,357	0.11%	2,113
2006		6,286,001	6,286,001	41,849,118	0.10%	2,021
2007		6,076,171	6,076,171	43,540,111	0.10%	2,092
2008		9,793,026	9,793,026	47,446,237	0.11%	2,226
2009		9,564,218	9,564,218	46,657,580	0.11%	2,167
2010	15,931,367	7,382,051	23,313,418	59,799,947	0.15%	2,710
2011	14,325,935	17,738,215	32,064,150	67,878,245	0.18%	3,090
2012	12,690,984	27,405,675	40,096,659	67,457,532	0.19%	3,057
2013	12,536,033	27,294,385	39,830,418	66,942,893	0.19%	3,012

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

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

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

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

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

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2004	10,610,000	0.45%	513.98
2005	10,555,000	0.42%	511.48
2006	10,520,000	0.39%	508.14
2007	10,475,000	0.35%	503.36
2008	10,415,000	0.33%	488.71
2009	10,345,000	0.30%	480.47
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	462.49
2012	10,045,000	0.27%	455.16
2013	9,915,000	0.26%	446.06

Sources: State of California, Department of Finance
California Municipal Statistics, Inc.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2013

2012 / 2013 Assessed Valuation: 3,844,595,910

	% Applicable	Debt
OVERLAPPING TAX AND ASSESSMENT DEBT		
San Mateo Community College District	2.594%	15,062,320
San Mateo Union High School District	7.513%	34,064,865
Millbrae School District	59.491%	29,159,232
City of Millbrae	**100.00%**	**9,915,000**
California Statewide Communities Development Authority		
Assessment District No. 03-1, Glenbrough/Pauls Project Area	100.00%	**1,581,141**
California Statewide Communities Development Authority		
Assessment District No. 06-1, Park Broadway Project Area	100.00%	1,542,321
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		**$91,324,879**
DIRECT AND OVERLAPPING GENERAL FUND DEBT		
San Mateo County - General Fund Obligations	2.594%	8,086,271
San Mateo County Board of Education - Certificates of Participation	2.594%	297,143
City of Millbrae - Pension Obligations	**100.00%**	**8,009,440**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		**$16,392,854**
OVERLAPPING TAX INCREMENT DEBT:		7,610,000
COMBINED TOTAL DEBT		115,327,733 (1)

(1) Excludes tax and revenue anticipated notes, enterprise revenue, mortgage revenues and non-bonded capital lease obligations.

RATIOS TO 2011-12 ASSESSED VALUATION:	
Direct Debt (9,915,000)	**0.26%**
Total Direct and Overlapping Tax and Assessment Debt	2.38%
Combined Direct Debt ($17,924,440)	**0.47%**
Combined Total Debt	3.00%

Ratios to Redevelopment Incremental Valuation ($603,141,653):	
Total Overlapping Tax Increment Debt	1.26%

Source: California Municipal Statistics, Inc.

COMPUTATION OF LEGAL BONDED DEBT MARGIN

June 30, 2013

ASSESSED VALUATION:		
Secured Property Assessed Value	$3,800,240,986	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		**$142,509,037**
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt	24,849,475	
Less Pension Obligation Bonds	(14,934,475)	
Amount of debt subject to the limit		9,915,000
LEGAL BONDED DEBT MARGIN		**$132,594,037**

LAST TEN FISCAL YEARS

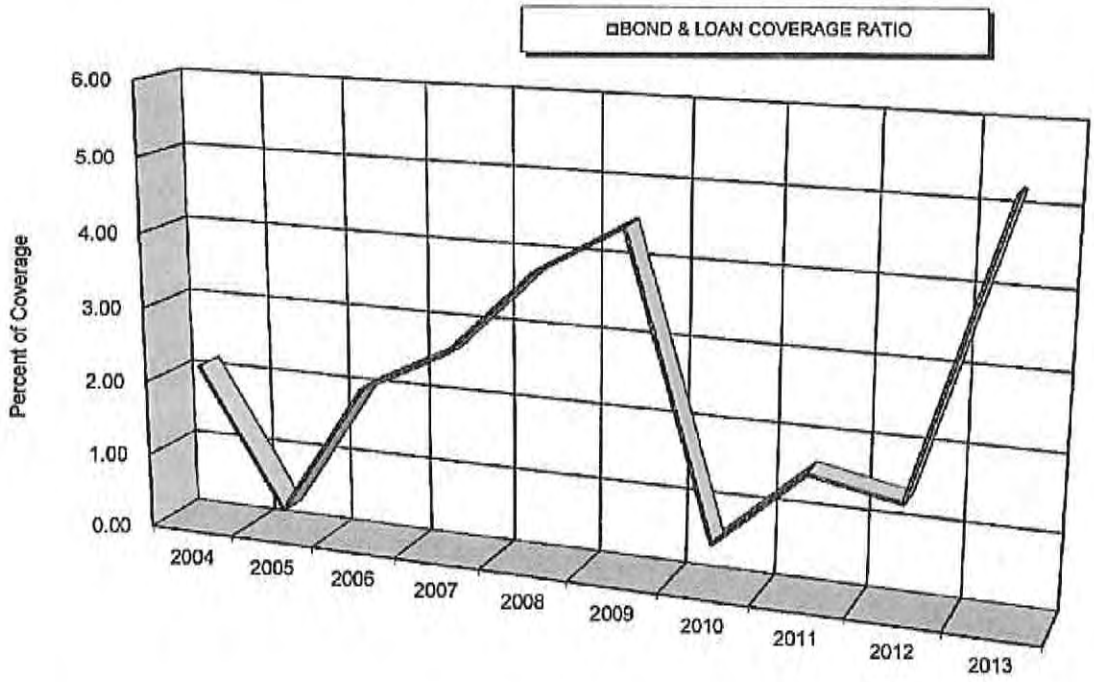
Fiscal Year	Debt Limit	Total Debt Subject to Limit	Legal Debt Margin	Percentage of Total Debt to Debt Margin
2004	88,115,231	21,715,716	66,399,515	32.70%
2005	94,117,856	10,097,935	84,019,921	12.02%
2006	100,459,141	10,520,000	89,939,141	11.70%
2007	111,147,531	10,475,000	100,672,531	10.41%
2008	119,343,838	10,415,000	108,928,838	9.56%
2009	131,317,264	10,345,000	120,972,264	8.55%
2010	133,572,889	10,260,000	123,312,889	8.32%
2011	134,571,731	10,160,000	124,411,731	8.17%
2012	136,469,733	10,045,000	126,424,733	7.95%
2013	142,509,037	9,915,000	132,594,037	7.48%

(a) California Government Code, Section 43605 sets the Debt Limit at 15%.

Section 43605 was enacted prior to the change of basing assessed value at full market rate, which was previously 25% of the market rate. Therefore, the limit is shown as 3.75% to account for the full market rate of assessed valuation.

SEWER FUND REVENUE BOND AND LOAN COVERAGE
SEWER AUTHORITY

LAST TEN FISCAL YEARS



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND & LOAN COVERAGE RATIO
				Principal	Interest	Total	
2004	3,840,717	3,166,274	674,443	230,900	77,850	308,750	2.18
2005	3,844,013	3,362,695	481,318	1,361,700	104,717	1,466,417	0.33
2006	4,700,114	3,638,729	1,061,385	200,208	305,745	505,953	2.10
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65
2012	8,496,612	5,302,863	3,193,749	1,630,000	624,798	2,254,798	1.42
2013	8,730,438	4,774,522	3,955,916	150,000	612,532	756,248	5.23

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

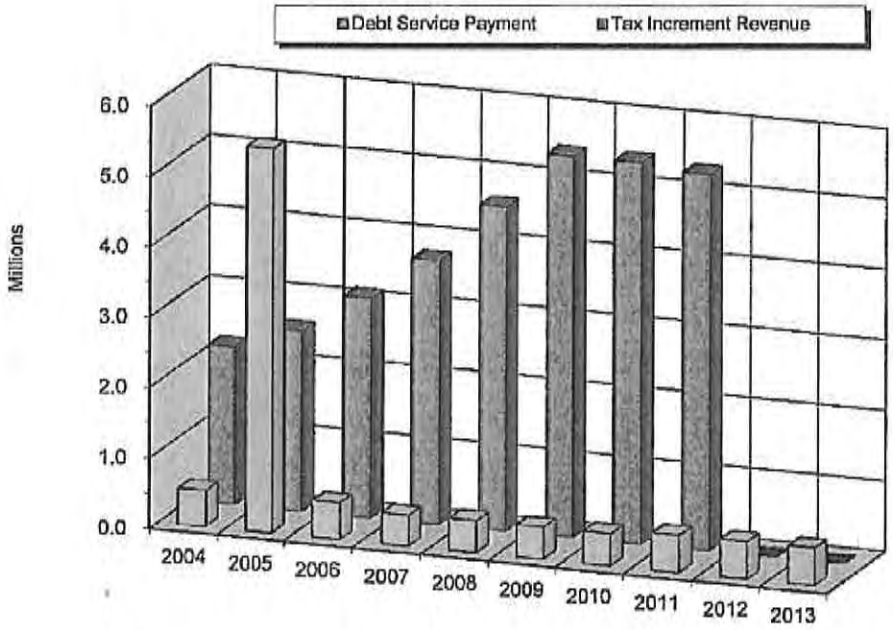
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

MILLBRAE REDEVELOPMENT SUCCESSOR AGENCY
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS

LAST TEN FISCAL YEARS



Fiscal Year	GROSS TAX INCREMENT REVENUE	Debt Service Requirements			Bond Coverage Ratio
		Principal	Interest	TOTAL	
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53
2008	4,607,427	95,000	362,325	457,325	10.07
2009	5,426,628	100,000	359,400	459,400	11.81
2010	5,430,198	105,000	356,325	461,325	11.77
2011	5,353,259	180,000	352,050	532,050	10.06
2012	531,575 (A)	185,000	346,575	531,575	1.00
2013	531,575 (A)	190,000	340,475	531,575	1.00

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

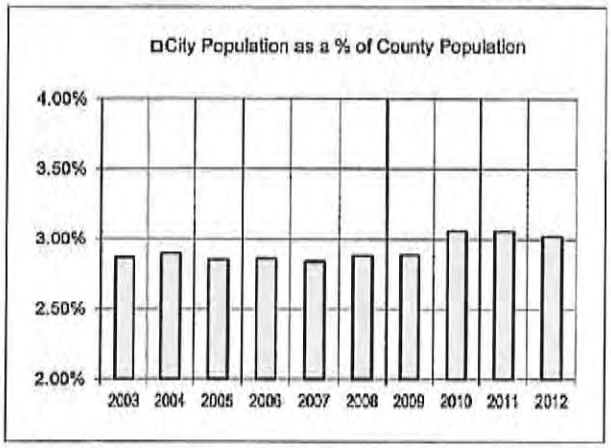
In Fiscal Year 2011-2012 Redevelopment was dissolved; Pursuant California Health and Safety Code Section 34183 Redevelopment funds are redistributed to all taxing entities, except bond liabilities.

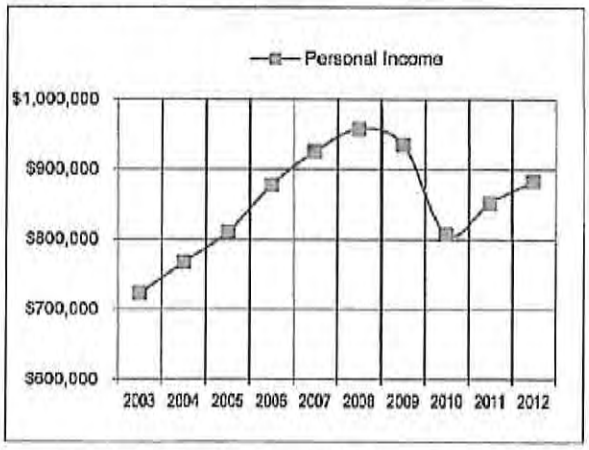
(A) County Redevelopment Property Tax Trust Fund (RPTTF) distribution

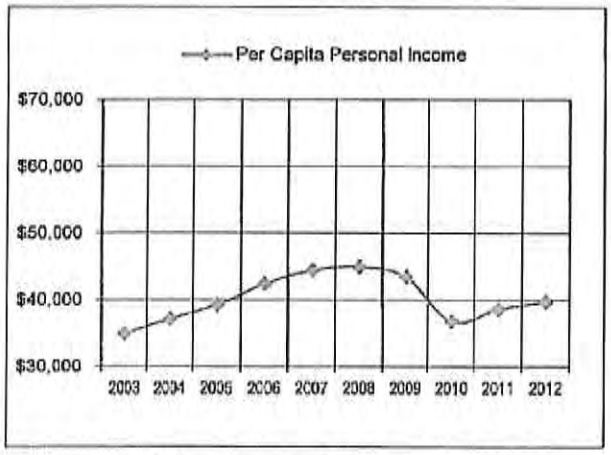
Source: City of Millbrae Financial Records

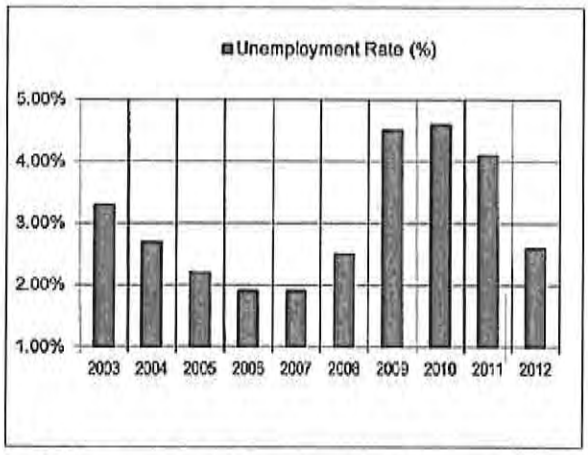
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS









Calendar Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income	Per Capita Personal Income	Unemployment Rate (%)
2003	20,657	720,630	2.87%	$722,449	$34,974	3.3%
2004	20,643	712,400	2.90%	$767,057	$37,158	2.7%
2005	20,636	723,453	2.85%	$810,273	$39,265	2.2%
2006	20,703	724,104	2.86%	$877,713	$42,395	1.9%
2007	20,810	733,496	2.84%	$925,544	$44,476	1.9%
2008	21,311	739,469	2.88%	$958,075	$44,957	2.5%
2009	21,531	745,858	2.89%	$935,529	$43,450	4.5%
2010	21,968	718,451	3.06%	$807,390	$36,753	4.6%
2011	22,069	722,372	3.06%	$851,952	$38,604	4.1%
2012	22,228	735,678	3.02%	$883,230	$39,735	2.6%

Sources: State of California, Department of Finance
State of California Employment Development Department
US Census Bureau
Compiled by HdL Companies
San Mateo County Controller's Office

CITY OF MILLBRAE

STATISTICS

PRINCIPAL EMPLOYERS

LAST TEN FISCAL YEARS

(Information prior to 2006 is not available)

Principal Employer	2006			2007			2008			2009		
	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force
Westin Hotel												
Millbrae School District	225	2	2.3%	225	2	2.3%	225	2	2.3%	225	2	2.3%
A & C Health Care (1)							135	6	1.4%	135	6	1.4%
San Francisco PUC (2)	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	1	3.1%
Best Western-El Rancho	168	4	1.8%	168	4	1.7%	168	4	1.7%	168	4	1.8%
City of Millbrae	133	5	1.4%	135	5	1.4%	135	5	1.4%	144	5	1.5%
Mills High School (3)	130	6	1.3%	130	6	1.3%	130	7	1.3%	130	7	1.4%
Magnolia of Millbrae	130	7	1.4%	130	7	1.3%	130	8	1.3%	130	7	1.4%
Marymount Greenhills Retirement Center												
Green Hills Country Club												
Lucky												
Kohl's Department Store												
Walgreens												
Starwood Resorts	200	3	2.1%	200	3	2.1%	200	3	2.1%	200	3	2.1%
Millbrae Serra Sanitarium	125	8	1.3%	125	8	1.3%	125	9	1.3%	125	8	1.3%
Orchard Supply Hardware										100	9	1.0%
Safeway										100	9	1.0%
World Journal Inc										98	10	1.0%
Mervyn's LLC	112	9	1.2%	112	9	1.2%	112	10	1.2%			
Sprint Communications				100	10	1.0%				100	9	1.0%
Albertson's LLC	100	10	1.0%									
TOTAL	1,623		16.9%	1,625		16.8%	1,660		17.1%	1,955		20.4%
Total City Labor Force (4)	9,600			9,700			9,700			9,600		

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

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

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

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

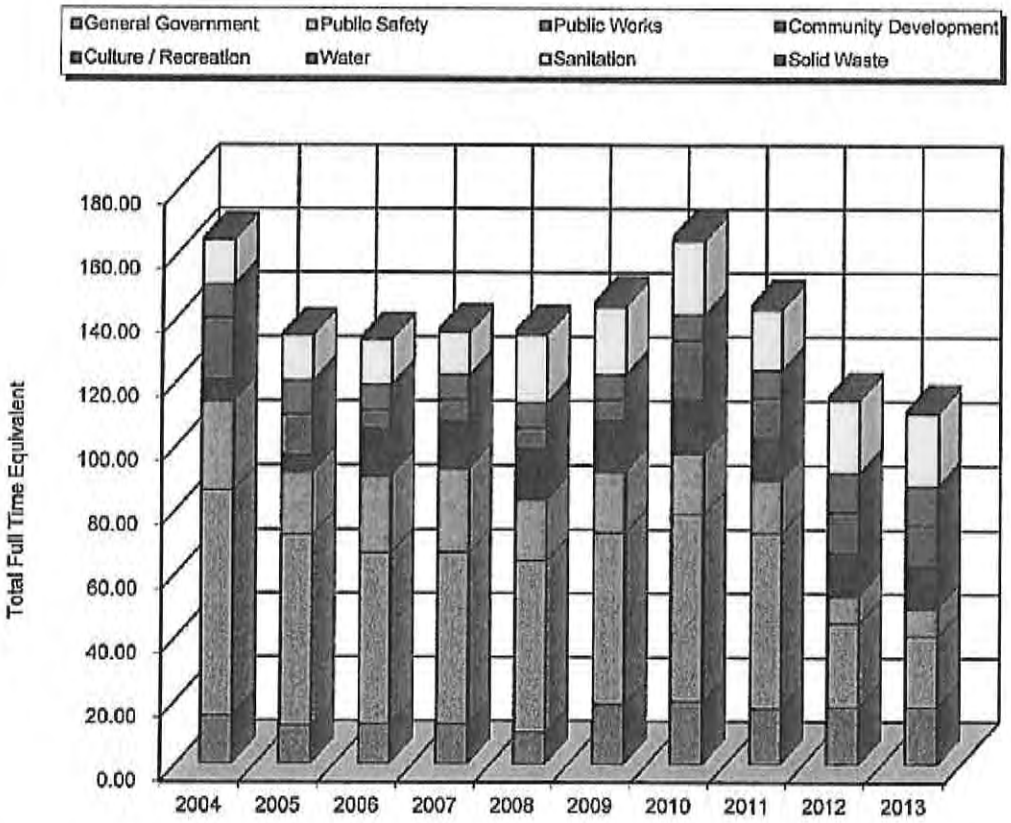
(5) 2013 results based on direct correspondence with city's local businesses.

Sources: MuniServices, LLC
Selectory / a D & B Product
Hdl Companies
State of California Employment Development Department

2010			2011			2012			2013		
Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force
			160	2	1.7%	164	3	1.6%	188	1	1.8%
173	3	1.8%	185	1	1.9%	188	1	1.9%	186	2	1.8%
135	6	1.4%	158	3	1.6%	165	2	1.7%	165	3	1.6%
300	2	3.1%	150	4	1.6%	150	4	1.5%	156	4	1.5%
150	4	1.6%	135	6	1.4%	147	5	1.5%	143	5	1.4%
141	5	1.5%	143	5	1.5%	105	8	1.1%	119	6	1.2%
125	7	1.3%	113	7	1.2%	114	6	1.1%	114	7	1.1%
101	9	1.1%	108	8	1.1%	110	7	1.1%	110	8	1.1%
									85	9	0.8%
115	8	1.2%							72	10	71.0%
						92	9	0.9%			
			92	9	1.0%	78	10	0.8%			
			86	10	0.9%						
440	1	4.6%									
135	6	1.4%									
100	10	1.0%									
100	10	1.0%									
100	10	1.0%									
2,115		22.0%	1,170		11.7%	1,149		11.5%	1,338		13.1%
9,600			9,600			10,000			10,200		

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS



Function / Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	15.00	12.00	12.42	12.62	10.00	18.78	19.50	17.50	18.15	18.15
Public Safety	70.50	59.50	53.50	53.50	53.50	53.50	58.63	54.75	26.00	22.00
Public Works	27.50	19.50	24.00	26.00	19.00	19.00	19.00	16.50	8.65	8.65
Community Development	7.00	5.50	15.00	15.00	16.00	16.00	16.80	13.00	13.25	13.25
Culture / Recreation	19.25	12.75	5.50	6.50	6.50	6.50	18.48	12.66	12.79	12.79
Water	10.50	10.50	8.00	8.00	8.00	8.00	8.00	8.75	12.39	12.39
Sanitation	14.00	14.00	14.00	13.00	21.00	21.00	23.00	18.75	22.45	22.45
Solid Waste	0.50	0.50	0.60	1.25	1.60	1.60	1.60	1.60	1.11	1.11
TOTAL	**164.25**	**134.25**	**133.02**	**135.87**	**135.60**	**144.38**	**165.01**	**143.51**	**114.79**	**110.79**

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

Source: City of Millbrae Budget Position Allocation

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST EIGHT FISCAL YEARS
(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety								
Fire								
Emergency Responses	2,505	2,620	2,620	2,567	2,554	2,764	2,683	2,735
Primary Fire Inspections	214	284	261	327	410	527	639	602
Police								
Police Calls for Service	13,074	19,159	20,175	19,554	20,944	20,706	17,876	14,837
Part I and Part II Crimes	1,524	1,219	1,271	1,353	1,369	1,273	1,157	1,367
Physical Arrests (adult and juvenile)	691	627	699	732	789	677	576	445
Traffic Violations	1,744	2,376	1,248	1,817	2,121	2,139	1,834	1,932
Parking Violations	5,252	4,391	7,842	8,603	11,154	9,030	5,562	6,707
Public Works								
Street Resurfacing (miles)	Data Not Available	2	0	0	1	0	1	0
Potholes Repaired (square miles)	Data Not Available	0.0000574	0.0000000	0.0000000	0.0007174	0.0009000	0.0008087	0.0004125
Culture and Recreation								
Community Services								
Recreation Class Participants	7,000	8,500	7,121	7,018	6,211	5,443	6,239	6,162
Library								
Volumes in Collection	71,000	100,000	110,876	111,447	109,241	109,595	110,550	113,345
Total Volumes Borrowed	446,700	503,000	577,350	616,145	633,241	578,739	550,956	548,010
Water								
Water Service Connections	6,200	6,437	6,435	6,459	6,474	6,499	6,546	6,549
Water Main Breaks	7	7	10	16	17	8	8	11
Average Daily Consumption (gallons)	2,725,000	2,367,000	2,337,811	2,762,618	2,197,884	2,075,149	2,024,473	2,110,022
Sanitation								
Sewer Service Connections	6,200	6,437	6,437	6,459	6,474	6,499	6,546	6,549
Storm Drain Inlets	700	700	700	700	700	700	700	868
Sewer Main Blockages	62	51	34	10	19	8	6	2
Average Daily Treatment (gallons)	2,200,000	1,700,000	1,614,055	1,540,800	1,497,600	1,560,602	1,481,000	1,610,000
Solid Waste								
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954	2,900	2,831	2,681	2,817

Source: City of Millbrae

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST EIGHT FISCAL YEARS

(Information prior to 2006 is not available)

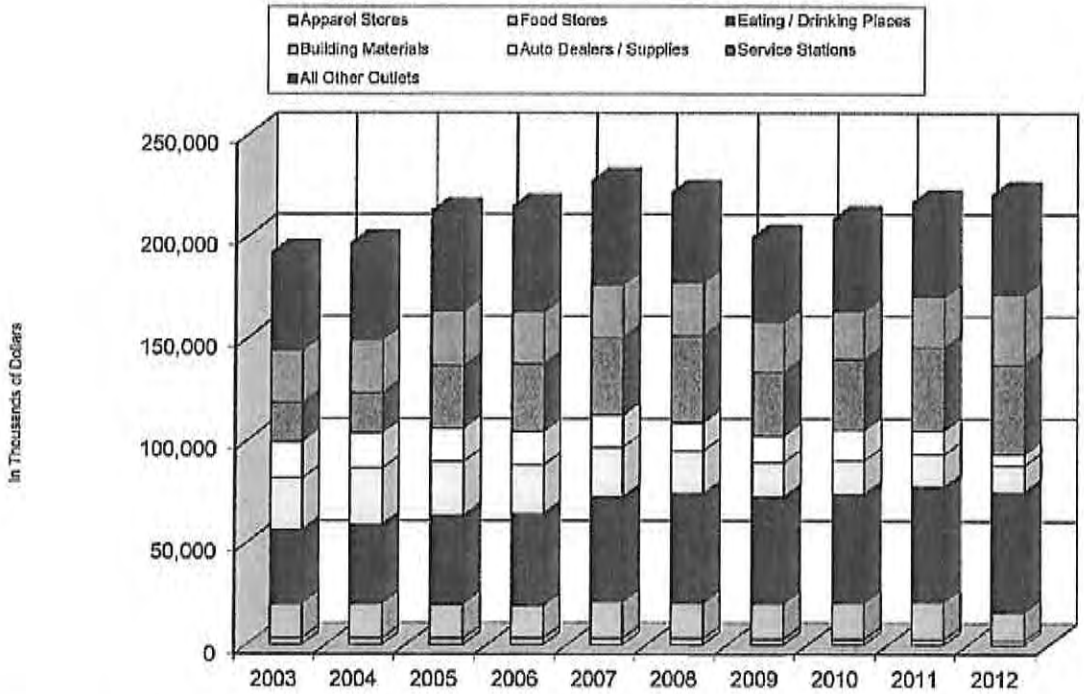
Function / Program	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety								
Fire Station	2	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1	1
Police Patrol Unit (a)	17	17	17	17	17	17		
Public Works								
Miles of Streets	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	5	5	5
Roadway Landscaping Acreage	2	2	2	2	2	2	2	2
Culture and Recreation								
Community Services								
City Parks	14	14	14	14	14	14	14	14
City Park Acreage	104	104	104	104	104	104	104	104
Regional Park Facilities:								
Clubhouse / Banquet Facility	2	2	2	2	2	2	2	2
Historic House	2	2	2	2	2	2	2	2
Community Center	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1
Community Gardens	1	1	1	1	1	1	1	1
City Trail	1	1	1	1	1	1	1	1
City Trail Miles	3	3	3	3	3	3	3	3
Playgrounds	6	6	6	6	6	6	6	6
Tennis Court	4	4	4	4	4	4	4	4
Baseball / Softball Diamond	5	5	5	5	5	5	5	5
Soccer / Football Field	1	1	1	1	1	1	1	1
Library								
City Library	1	1	1	1	1	1	1	1
Water								
Miles of Water Mains	70	70	70	70	70	70	70	70
Fire Hydrants	545	545	545	545	545	545	545	545
Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Sanitation								
Miles of Sanitary Sewers	56	56	56	56	56	56	56	56
Miles of Storm Sewers	21	21	21	21	21	21	21	21
Treatment Plant	1	1	1	1	1	1	1	1
Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

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

Source: City of Millbrae / GIS System

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS

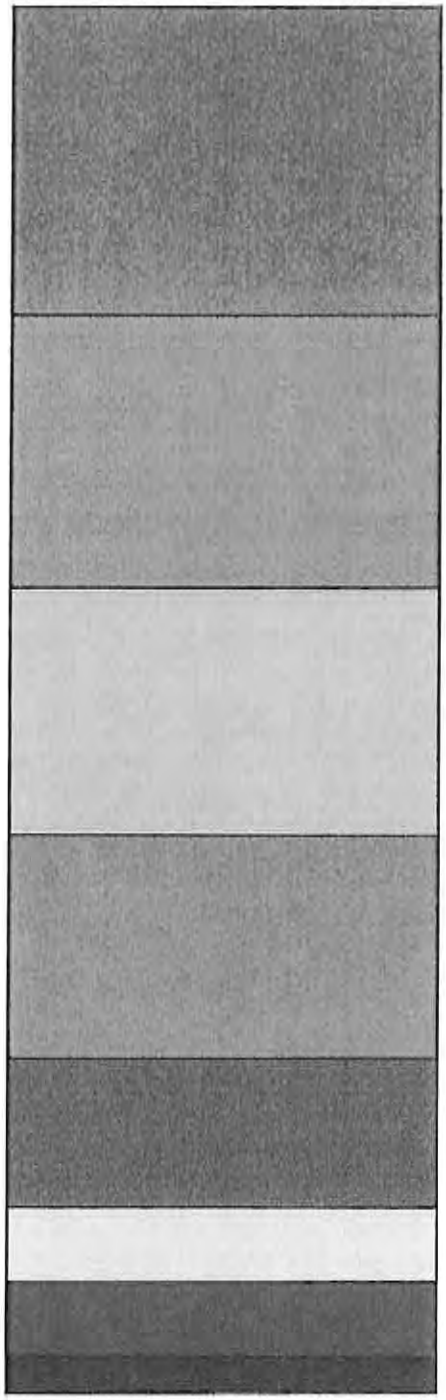


Category	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Apparel Stores	3,299	3,142	3,110	3,362	3,326	3,089	2,902	2,958	2,817	2,160
Food Stores	16,872	16,997	16,830	15,797	17,562	17,314	17,320	17,633	18,242	14,007
Eating / Drinking Places	36,383	38,889	43,418	45,206	51,559	53,888	52,224	53,313	56,506	58,829
Building Materials	25,067	27,491	26,423	23,747	24,404	20,745	16,975	16,416	15,867	13,047
Auto Dealers / Supplies	17,714	17,100	16,079	16,315	15,564	13,730	12,775	14,750	11,437	5,381
Service Stations	18,894	19,858	30,671	33,168	37,973	42,526	31,376	34,714	40,758	43,995
Other Retail Stores	25,853	25,938	26,691	25,277	26,079	26,235	24,525	23,631	24,899	34,290
All Other Outlets	47,769	47,165	49,220	51,800	50,808	43,897	41,438	45,040	46,159	48,911
TOTAL	191,851	196,580	212,442	214,672	227,275	221,424	199,535	208,455	216,685	220,620

Sources: Hdl Companies
State of California Board of Equalization

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

PROPERTY TAX DOLLAR BREAKDOWN



$0.2817	San Mateo County
$0.2054	San Mateo County Union High School District
$0.1716	Millbrae Elementary General Public
$0.1579	Millbrae General Fund (a)
$0.0806	San Mateo Junior College General Public
$0.0419	County Education Tax
$0.0411	County Library
$0.01092	Peninsula Hospital District
$0.00419	County Harbor District
$0.00248	Bay Area, Air Pollution
$0.00228	Mosquito Abatement
$1.0000	

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

Source: San Mateo County Assessor 2012-13 Annual Tax Increment Tables
Hdl Companies

SALES TAX PERCENTAGE BREAKDOWN

SALES TAX ALLOCATION FOR ITEMS SOLD IN THE CITY OF MILLBRAE

The sales tax rate for the City of Millbrae is: **9.00%**

Listed below is the allocation of 9.00% Sales Tax:

6.00%	State of California
.50%	State Local Public Safety Fund
.75%	San Mateo County
.50%	San Mateo Transportation Authority (SMTA)
.50%	San Mateo County Transit District (SMCT)
.75%	**City of Millbrae**
9.00%	Total Sales Tax Allocation

To put this is perspective:

If a taxable item purchased in the City of Millbrae is $100.00 the sales tax will be $9.00 rounded

The allocation of the $9.00 will be:

Entity Receiving The Sales Tax	Allocation of Sales Tax	Total Sales Tax
State of California	6.00%	$ 6.00
State Local Public Safety Fund	.50%	$ 0.50
San Mateo County	.75%	$ 0.75
San Mateo Transportation Authority (SMTA)	.50%	$ 0.50
San Mateo County Transit District (SMCT)	.50%	$ 0.50
City of Millbrae	**.75%**	**$ 0.75**
Total Sales Tax Allocation		**$ 9.00**

The City of Millbrae will receive $ 0.75 (seventy-five cents), from the total $ 9.00 paid in sales tax.