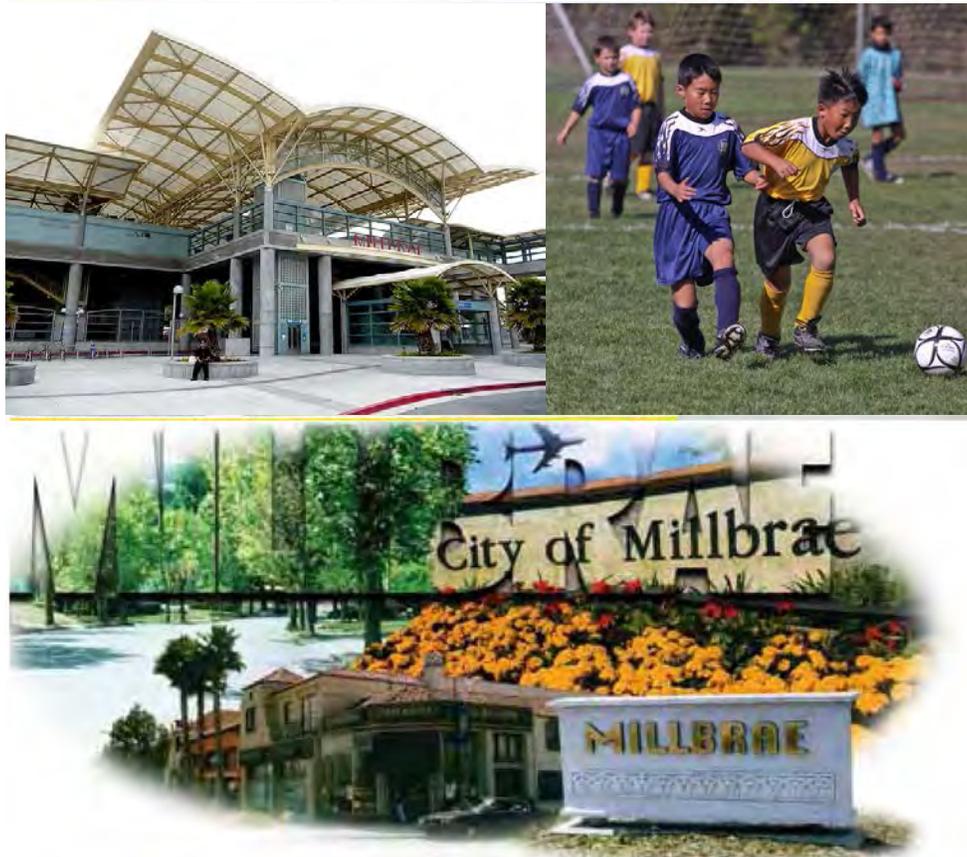




City of Millbrae California



Comprehensive Annual Financial Report



For the year ended
June 30, 2014

CITY OF MILLBRAE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

Prepared by
FINANCE DEPARTMENT



MILLBRAE

CITY OF MILLBRAE, CALIFORNIA

Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

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City of Millbrae
621 Magnolia Avenue, Millbrae, CA 94030

ROBERT G. GOTTSCHALK
Mayor

ANNE OLIVA
Vice Mayor

REUBEN D. HOLOBER
Councilman

MARGE COLAPIETRO
Councilwoman

WAYNE J. LEE
Councilman

December 15, 2014

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Millbrae (City). The City Council has taken a proactive approach implementing significant cost savings measures to streamline operations while maintaining service levels within the community. The City's number one priority is to be efficient and effective in delivering city services to those that live, work, visit, or play in the City of Millbrae. The City has successfully transitioned its law enforcement services to the San Mateo County Sheriff's Office under a contract for services model, and has transitioned Fire Department administration and training through a shared services arrangement with Central County Fire Department and the City of San Bruno's Fire Department. The City successfully refinanced its 2001 General Obligation Bonds that will reduce its interest obligations by half. City staff made compensation concessions over the past few years including furloughs, benefit reductions, and salary freezes, and staffing levels have been significantly reduced. The City has also outsourced a portion of its Community Development services as a cost-effective means of assisting property owners and developers with their property development and improvements needs. The City is continuing to seek new ways to deliver services in a way that provides the same if not higher levels of service but in more cost-effective ways.

The concerted efforts of the City Council, City Manager, and staff are evident in this year's financial highlights. The City's Net Position, including the fund balance reserves in the City's General Fund, are increasing, which will place the City into a better position to address a multitude of unfunded liabilities and capital needs. In fact, the City's debt rating service, Standard & Poor's, recently upgraded the City's general obligation bond rating to AA+ from AA, citing strong City management and the budgetary flexibility of the City's financial resources. Yet while property taxes, transient occupancy taxes, and sales taxes all show positive trends and gains from the past five recessionary years, the City still must plan conservatively to address its aging infrastructure replacement needs and fund its unfunded post-retirement obligations. In short, strategic financial planning continues to be a priority of the City with the goal to achieve greater degrees of fiscal sustainability for the years to come.

This report presents the financial position, and the changes in the financial position, for the fiscal year ending June 30, 2014. 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).

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

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 and regulations. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls is 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, accurate in all material respects, and 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 basic 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 should 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 objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains extensive budgetary controls, with the ultimate control exercised at the Fund level by City Council policy, and with discretion vested with the City Manager to transfer appropriations between departments to achieve the City Council's goals and policy directions

Long-Term Financial Planning

As part of its annual budget process, the City prepares a five-year financial forecast that includes long-range projections primarily focused on its General Fund. This forecast is a financial planning tool that assesses the fiscal ability for the General Fund to meet the community's needs. It gives special consideration to the state of the local and regional economy, trends affecting the City's primary revenues (e.g., property, sales and transient occupancy taxes), trends impacting compensation and benefits funding for employees. The forecast also includes a five-year capital improvement program to identify the long-range capital expenditure requirements and potential funding sources.

The City's latest five-year forecast indicates that the City's General Fund is balanced with revenues exceeding expenditures and net transfers over the next five years, with the City setting aside over \$4 million in FY 2014-2015 towards its unfunded OPEB liabilities. The recent gains in real estate prices and travel and tourism as discussed further below are having positive impacts in the collection of property and transient occupancy tax revenues to support General Fund operations. However, the long-term capital improvement plan indicates over \$38 million in unfunded capital improvement needs over the coming five years which will need to be addressed in a comprehensive capital infrastructure improvement and financing plan.

The Local Economy

Property tax continues to be the largest revenue source for the City. Property values in the City have increased substantially since the Recession ended in 2010. Year over year growth for each of the past few years has created increases in assessed valuations and, thus, property tax revenues to all taxing agencies, including the City. According to the San Mateo County Assessor, as of January 1, 2014, the City had over 7,200 parcels with a combined value of \$4.07 billion. This is an increase in value of 6% when compared to the assessment rolls as of January 1, 2013.

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 23% due largely to the reopening of a major hotel and higher occupancy levels because of increases in travel and tourism.

Sales Tax is the third largest Governmental Activities revenue source for the City. According to the Department of Finance, Sales Tax revenues have shown gains statewide due to the strengthening economy, with greater gains experienced in the Bay Area and Los Angeles Area markets. The City's Sales Tax revenues experienced a single year increase of nearly 5% due to the strengthening economy, however this came in light of the loss of a major retailer for which the property owner is seeking a successor retailer in its place. It is the diversity of the City's economic community that 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 the Millbrae BART Station which provides a critical link to CalTrain and SamTrans, and to San Francisco International Airport (SFO) and the host of hotels that serve the SFO area, 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, 2014, 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, 2014. The Independent Auditor's Report is presented as the first item under the Financial Section of this report.

Award

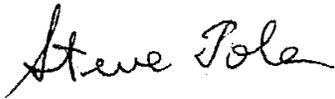
The Government Finance Officer's Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for fiscal year ending June 30, 2013. This was the twentieth (20th) consecutive year that the City 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 the various operating departments throughout the City. On behalf of the entire staff, we would like to acknowledge and thank the City Council for their leadership and support in providing the policy direction necessary for the City Manager and staff to conduct the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Steve Toler". The signature is written in a cursive, flowing style.

Steve Toler
Assistant City Manager / Finance Director

DIRECTORY OF CITY OFFICIALS

MAYOR

Wayne J. Lee

MEMBERS OF THE CITY COUNCIL

Robert G. Gottschalk

Marge Colapietro

Rueben Holober

Anne Oliva

COUNCIL APPOINTED OFFICERS

Marcia Raines

City Manager

Joan Cassman

City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Angela Louis

City Clerk

Deborah Nelson

Community Development Director

Steve Toler

Assistant City Manager / Finance Director

Mark Ladas

Fire Chief

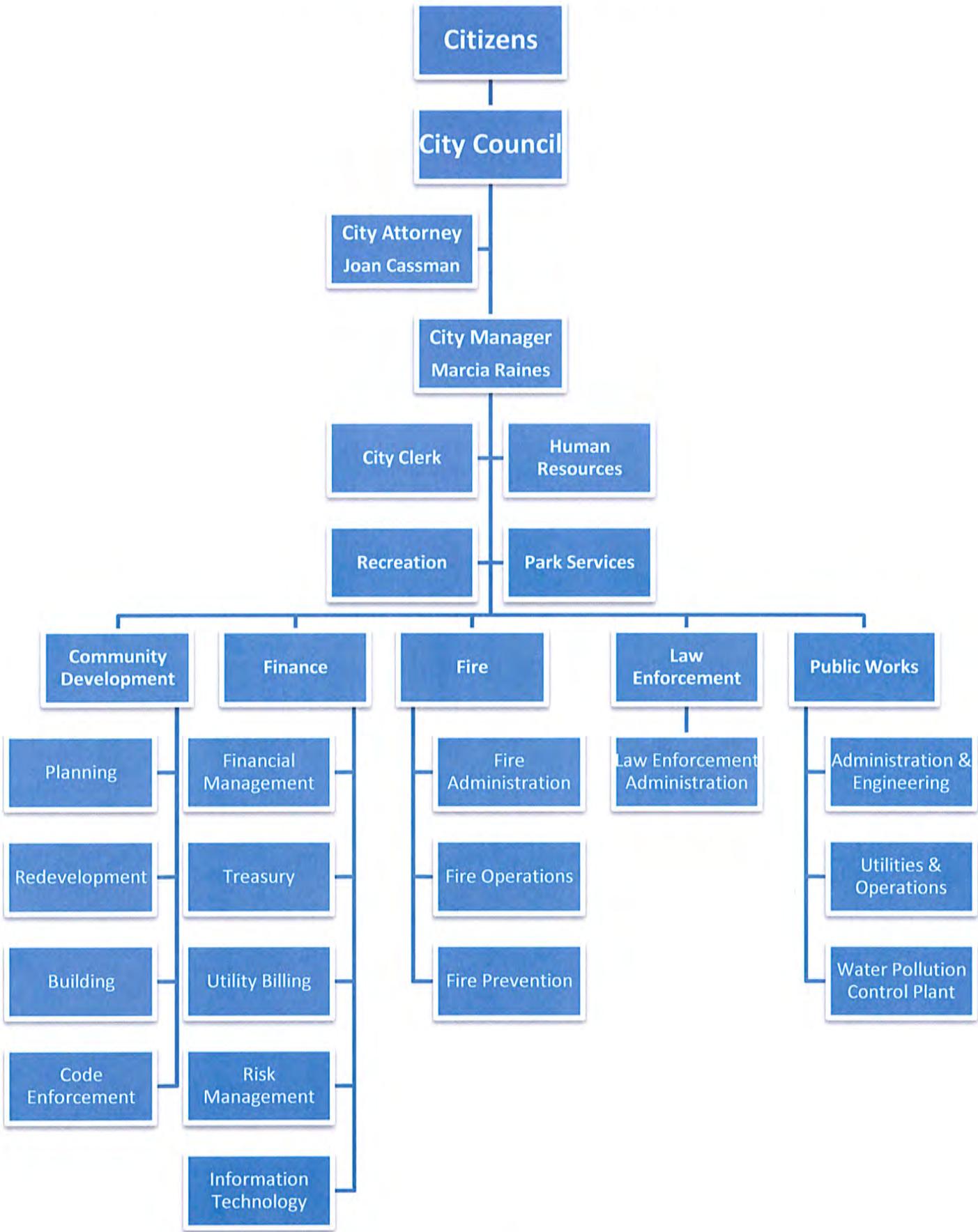
Lisa Williams

Law Enforcement Services

Charles "Chip" Taylor

Public Works Director

**City of Millbrae
Organization Chart – FY 2013-2014**





City of Millbrae

Our Values

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

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



City of Millbrae

Our Purposes

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

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

- ***Democratic, Local, Self-government:***
Determination of needs, priorities, and policies by local residents through democratically elected representatives
- ***Public Health and Safety:***
Providing an environment free from disease, pollution, crime, fire and conditions injurious to public health and well being
- ***Physical, Cultural, and Social Well-Being:***
Providing facilities and programs for our residents to help meet their needs for socialization, recreation, and cultural and spiritual growth
- ***Economic Prosperity:***
To create conditions which will promote strong sales and trade in our business sector, and a strong tax base to support local government services
- ***Environmental Protection:***
To promote conservation of our natural environment and resources, and to promote an attractive, uncluttered, well maintained and landscaped urban environment
- ***Public Facilities and Infrastructure:***
To provide, maintain and operate public facilities and infrastructure essential to serving and supporting the public and private sectors of the City



Government Finance Officers Association

**Certificate of
Achievement
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in Financial
Reporting**

Presented to

**City of Millbrae
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of Millbrae, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae, California, as of and for the year ended June 30, 2014, 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. 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.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison information for the General Fund and Library Bonds Debt Service 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. The Introductory Section, Supplemental Information, and Statistical Section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part 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. Such 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.

Maze & Associates

Pleasant Hill, California
December 15, 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, 2014. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's Financial Statements, the related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

The City of Millbrae has now exited one of the deepest recessions since the 1920's. Due to the proactive approach taken by the City Council and staff, the City has emerged from the Recession with stronger reserves and in a stronger position to weather future economic downturns. Economic development is stronger in the City, and the hotels in Millbrae are seeing increased occupancy that signifies a strengthening regional economy. Nevertheless, the City has the need to invest in aging infrastructure in order to maintain the quality of life enjoyed by the community as a whole.

The significant financial challenges during the economic recession saw the City reducing its staffing and maintaining an acceptable level of service in its quest for financial sustainability. The City took proactive steps in implementing measures to become more efficient and effective in delivering services to the community. The City's Police Department transitioned to contract-for-services model with the San Mateo County Sheriff's Office. Fire Department administration and training have been consolidated with the Central County Fire Department (CCFD) and San Bruno Fire Department. Moreover, the City is on the verge of consolidating its firefighter personnel with CCFD to generate additional annual savings with no disruption in service levels. The City recently refunded its General Obligation Bonds at lower interest rates. City staff made compensation concessions including furloughs, benefit reductions, and salary freezes over the past several years, staffing levels were significantly reduced and administration was streamlined.

The City is still coping in a post-Redevelopment era that saw the City and its Redevelopment Agency lose over \$1.7 million in annual tax increment that was used to encourage economic development within the community. However, voters approved a renewal of the Fire Suppression Assessment in April 2014 which will allow the City to collect \$1.5 million per year in revenue for the next ten (10) years to help offset the costs of fire suppression services.

The City has set aside \$2.2 million from General Fund reserves towards its Other Post-Employment Benefits (OPEB) Liabilities in a separate Internal Services Fund, and will further set aside an additional \$4.9 million in the coming fiscal year in an attempt towards fully-funding its \$14.4 million in Actuarial Accrued Liabilities.

In terms of capital infrastructure investment, the City has documented a total of \$38.7 million in unfunded upcoming capital needs. In addition, the City is looking to invest nearly \$35 million in its wastewater infrastructure in order to comply with the Consent Decree entered into with Baykeeper in order to maintain compliance with regulatory requirements.

Nevertheless, the City's efforts in becoming fiscally sustainable are coming to fruition. Significant gains in property taxes and transient occupancy taxes, combined with the cost saving measures identified above, have allowed the General Fund to realize a \$14 million in unassigned reserves in FY 2013-2014. The percentage of expenditures - covered by unassigned reserves increased from 51% at June 30, 2013 to 87% at June 30, 2014. The City's overall Net Position increased from \$98.2 to \$105.0 million in FY 2013-2014, and the City's Governmental Fund Balance reserves increased from \$24.3 to \$28.8 million in that same period. These healthier reserve levels will allow the City to address a multitude of unfunded liabilities and capital needs. Strategic financial planning continues as the City's financial position improves with the ultimate goal to achieve financial sustainability for years to come, paying off the City's debt obligations, and proactively funding its capital improvement needs.

OVERVIEW OF THE FINANCIAL STATEMENTS

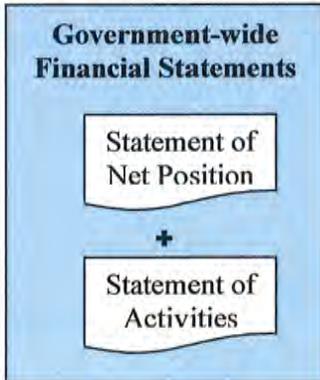
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The 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.



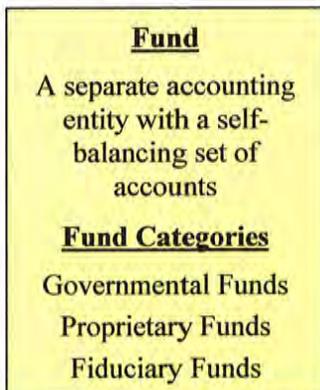
The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position.

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.



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, and the Library Bonds Debt Service Fund. 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 in this report. The City utilizes Internal Service Funds for the following:

Municipal Garage	To account for the purchase and maintenance of all motor vehicles except fire engines
General Liability	To account for the resources, claims, and payment of Liability Insurance premiums
Worker's Compensation	To account for the resources, claims, and payment of Workers' Compensation
Unemployment Insurance	To account for the accumulation, claims and payment of Unemployment Insurance
Compensated Absences (or Leave Accrual)	To account for the accumulation of earned compensation
OPEB	To account for the City's other Post-Employment Benefits

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 following table, the City's net position was \$105 million as of June 30, 2014 compared to \$98.2 million at June 30, 2013. This represents a 6.9% increase. Net position increased by approximately \$5.6 million in Governmental Activities; while those from Business-Type Activities increased by \$1.2 million.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION
June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
ASSETS						
Current and other Assets	\$48,784,229	\$54,863,002	\$19,342,921	\$20,299,192	\$68,127,150	\$75,162,194
Capital Assets	57,113,264	56,900,237	51,505,801	50,419,426	108,619,065	107,319,663
TOTAL ASSETS	105,897,493	111,763,239	70,848,722	70,718,618	176,746,215	182,481,857
LIABILITIES						
Short-Term Liabilities	2,336,781	2,255,893	1,508,374	1,533,201	3,845,155	3,789,094
Long-Term Liabilities	32,022,294	32,423,153	38,766,813	37,329,588	70,789,107	69,752,741
Other Liabilities	2,512,718	2,484,118	1,368,215	1,474,707	3,880,933	3,958,825
TOTAL LIABILITIES	36,871,793	37,163,164	41,643,402	40,337,496	78,515,195	77,500,660
NET POSITION						
Net Investment in Capital Assets	47,198,264	46,920,062	12,995,390	13,320,810	60,193,654	60,240,872
Restricted Net Assets:						
Debt Service	898,611	937,042			898,611	937,042
AB 2928 Grant	1,552,946	0			1,552,946	0
Gas Tax	654,129	1,821,984			654,129	1,821,984
Developer Fee - Operating	3,194,653	3,194,653			3,194,653	3,194,653
Housing Activities	1,228,639	1,234,970			1,228,639	1,234,970
Other special programs	4,221,997	4,399,987			4,221,997	4,399,987
Measure A	1,428,966	1,847,516			1,428,966	1,847,516
Unrestricted	8,647,495	14,243,861	16,209,930	17,060,312	24,857,425	31,304,173
TOTAL NET POSITION	\$69,025,700	\$74,600,075	\$29,205,320	\$30,381,122	\$98,231,020	\$104,981,197

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. 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 \$13.4 million (12.8%) and represents resources that are subject to external restrictions on use. At the end of fiscal year 2013-2014, the City had positive balances in all of the categories used to calculate net position for both for the Governmental and Business-type Activities.

Analysis of the Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
REVENUES						
Program Revenue:						
Charges for Services	\$6,975,897	\$6,561,573			\$6,975,897	\$6,561,573
Operating Contributions and Grants	983,340	920,818			983,340	920,818
Municipal Water System			\$6,740,002	\$6,978,562	6,740,002	6,978,562
Waste Water Treatment			8,546,835	8,581,336	8,546,835	8,581,336
Storm Drain			248,950	255,353	248,950	255,353
General Revenue:						
Property Taxes	9,209,244	10,106,598			9,209,244	10,106,598
Sales Tax	2,162,011	2,269,198			2,162,011	2,269,198
Transient Occupancy Tax	4,985,527	6,136,979			4,985,527	6,136,979
Franchise Tax	858,986	1,172,386			858,986	1,172,386
Other Taxes	664,015	802,021			664,015	802,021
Motor Vehicle In-Lieu	11,313	13,589			11,313	13,589
Investment Earnings	409,298	371,386	177,532	180,811	586,830	552,197
Miscellaneous	829,821	101,256	114,689	23,585	944,510	124,841
TOTAL REVENUES	27,089,452	28,455,804	15,828,008	16,019,647	42,917,460	44,475,451
EXPENSES						
General Government	3,206,947	3,214,519			3,206,947	3,214,519
Public Safety	10,848,192	10,427,036			10,848,192	10,427,036
Highway and Streets	2,706,820	2,514,396			2,706,820	2,514,396
Recreation & Culture	1,001,173	1,447,531			1,001,173	1,447,531
Community Development	2,693,662	3,642,560			2,693,662	3,642,560
Interest on Long-Term Debt	1,540,092	1,399,560			1,540,092	1,399,560
Municipal Water System			6,351,688	6,470,274	6,351,688	6,470,274
Waste Water Treatment			6,578,352	8,155,137	6,578,352	8,155,137
Storm Drain			379,986	454,261	379,986	454,261
TOTAL EXPENSES	21,996,886	22,645,602	13,310,026	15,079,672	35,306,912	37,725,274
Excess Before Transfers	5,092,566	5,810,202	2,517,982	939,975	7,610,548	6,750,177
Other Financing Sources						
Transfers, net	(76,115)	(235,827)	76,115	235,827		
CHANGE IN NET POSITION	5,016,451	5,574,375	2,594,097	1,175,802	7,610,548	6,750,177
Net Position at Beginning of Year	64,009,249	69,025,700	26,611,223	29,205,320	90,620,472	98,231,020
NET POSITION AT YEAR END	\$69,025,700	\$74,600,075	\$29,205,320	\$30,381,122	\$98,231,020	\$104,981,197

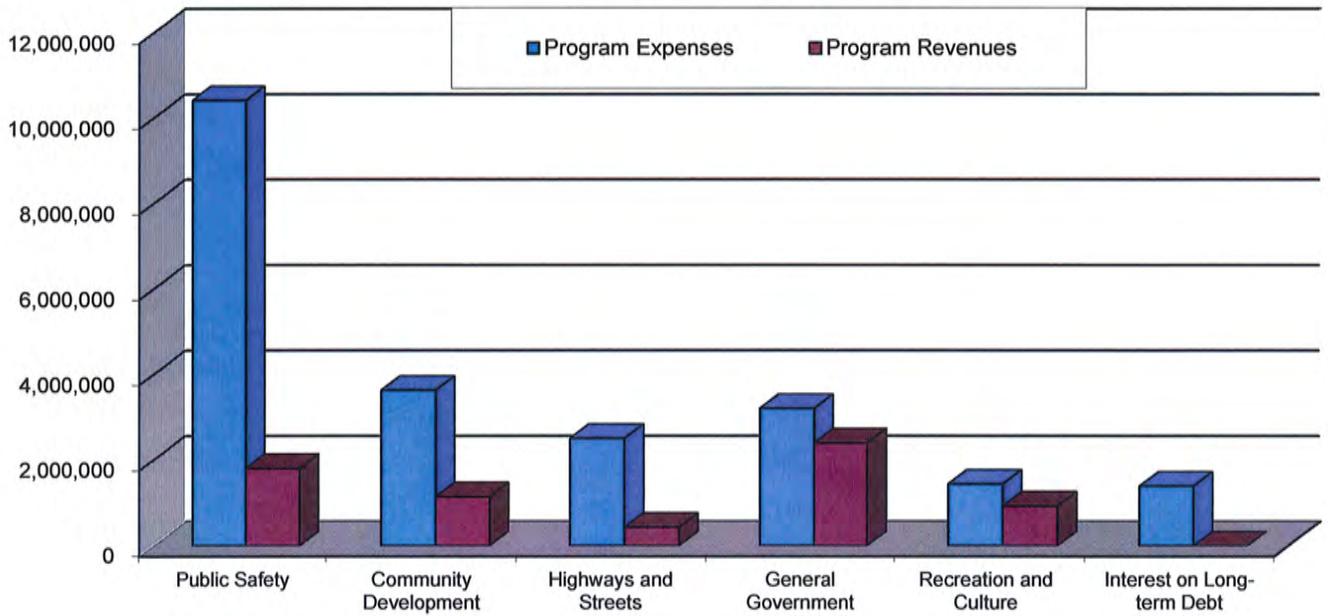
The City's overall Change in Net Position was \$6.7 million in fiscal year 2013-2014. The net position at year end for Governmental Activities of \$74.6 million represents a \$5.6 million (8.1%) increase over the prior year total of \$69 million. The City's Business-type Activities had a net position of \$30.4 million at year end which represents a \$1.2 million increase (4%) over the prior year total of \$29.2 million.

Governmental Activities increased the City's total net position by \$5.6 million to \$74.6 million during fiscal year 2013-2014, comparable to the increase of \$5 million during fiscal year 2012-2013. Key factors contributing to the variance from the prior year are as follows:

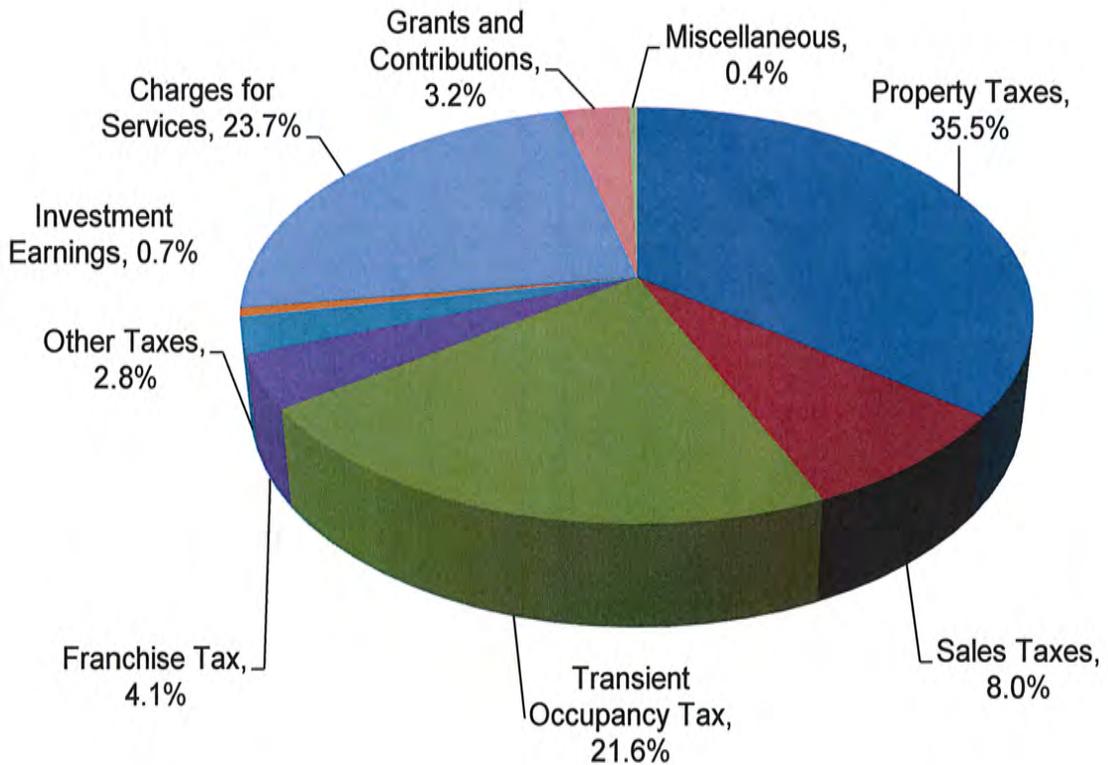
- Overall, Governmental Activities year over year revenue increased by approximately \$1.4 million (5.0%). The following are highlights of the significant changes in revenues leading to the net overall increase:
 - Charges for Services decreased by \$414,000 (5.9%) due primarily to a building permit issued in the prior year of \$763,000 on a mixed-use development, offset by the receipt of revenues this year related to the City's work processing entitlements associated with a redevelopment plan for the properties surrounding the Millbrae BART Station;
 - Property Taxes increased by \$897,000 (9.7%) due to increased assessment values resulting from real estate price increases and turnover;

- Sales Tax increased by \$107,000 (4.9%) due to stronger sales related to fuel price increases. However, it should be noted that the City lost a key retailer that stands to decrease sales tax revenues by approximately \$100,000 on an annual basis until which time a replacement retailer is found by the property owner;
 - Franchise Fees and Other Taxes increased by \$451,000 (29.6%) due to higher collections from solid waste and telecommunications franchisees as well as increased property transfer taxes as a result of the aforementioned strengthening of the real estate market;
 - Transit Occupancy Tax increased by \$1.1 million (23.1%) resulting from the re-opening of the ALOFT Hotel in January 2013 (for which a full year's revenue was received in fiscal year 2013-2014) as well as increases from all other hotels due to higher occupancies as the tourism and business travel sectors continue to rebound from the Recession;
 - Miscellaneous Revenues decreased by \$729,000 as in the prior year the City recognized the one-time transfer of land from the Redevelopment Agency to the City.
- Public Safety expenditures decreased by \$421,000 (3.9%) due primarily to cost reductions of the delivery of policing services through contracts with the San Mateo County's Sheriff's Office and a shared services model with Central County Fire District and the City of San Bruno for fire command and prevention services.
 - Highway and Streets expenditures decreased by \$192,000 (7.1%) due primarily to a reduction in infrastructure improvements related to the El Camino Real / Victoria Avenue traffic signalization project constructed in fiscal year 2012-2013.
 - Recreation and Culture expenditures increased by \$446,000 (44.5%) due to the restructuring of the provision of recreation services due to employee retirements and the desire to reduce future recreation administration expenses through contract personnel.
 - Community Development expenditures increased by \$949,000 (35.2%) as a result of enhanced code enforcement efforts relative to businesses violating City ordinances, requiring additional legal expenses, as well as the increased development activity associated with various development projects under construction and in various stages of planning.
 - Interest on long-term indebtedness decreased by \$141,000 (9.1%) due to principal balances being paid down, resulting in lower interest expenses, as well as the refunding of the 2004 General Obligation Bonds at lower interest rates.

Governmental Activities
PROGRAM EXPENSES AND PROGRAM REVENUES
FY 2013-2014



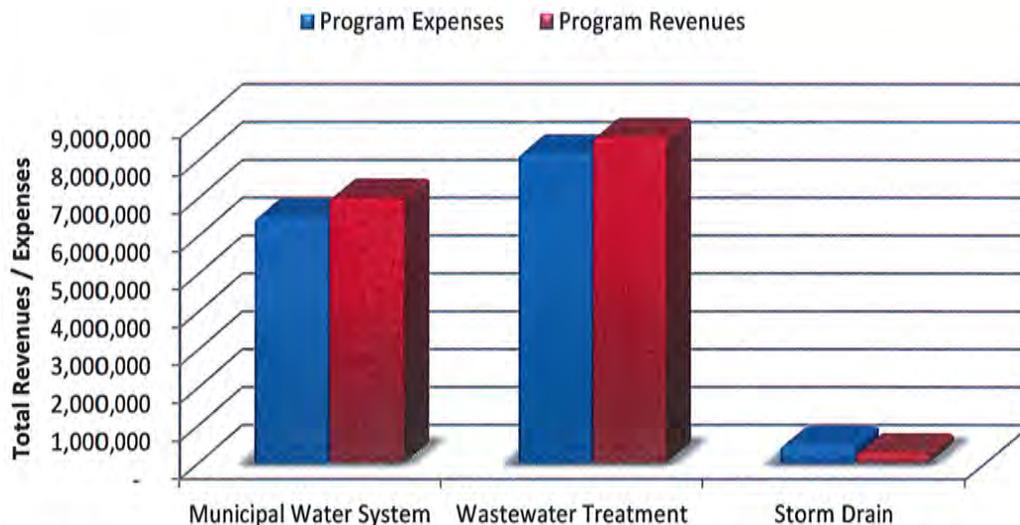
Governmental Activities
REVENUES BY SOURCE
FY 2013-2014



The charts shown previously illustrate the City’s Governmental Expenses and Revenues by Program, and Revenues by Source. Public Safety is the largest expenditure category representing 46% of Governmental Activities, followed by Community Development (16%), General Government (14%), Highways & Streets (11%), and both Recreation and Culture and Interest on Long-Term Debt (6% respectively).

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 35%, followed by Charges for Services (24%), Transient Occupancy Tax (22%), Sales Taxes (8%), and various Other Taxes (7%).

Business-type Activities PROGRAM EXPENSES AND PROGRAM REVENUES FY 2013-2014



Business-type Activities increased the City’s total net position by \$1.2 million to \$30.4 million during fiscal year 2013-2014, compared to the increase of \$2.6 million during fiscal year 2012-2013. Key factors contributing to the increase from the prior year are as follows:

- Business-type Activities revenue increased by \$192,000, but expenses increased by \$1.8 million compared to those in prior year due to the factors listed below. Revenues exceeded expenditures by \$940,000 before transfers of \$236,000.
- Revenues from water sales increased by \$238,000 (3.5%) due to the combination of a rate increase of 6% and decreased consumption due to enhanced conservation efforts during the Spring and Summer months by water users. Expenses within the Municipal Water System had an overall increase of \$118,000 (1.9%) primarily due to an increase in the rate paid for wholesale water costs net of reduced consumption.

- Waste Water Treatment service fees were relatively stable, increasing by a mere \$35,000 (0.4%), as rates remained constant with the prior year. Expenses within the Waste Water Treatment System, however, increased by \$1.6 million (24%) due to three factors: 1) increased depreciation expenses as a result of the wastewater treatment plant expansion project completed in the prior year coming online fully in the current year (\$606,000 increase); and 2) expenses relative to infrastructure maintenance and engineering consulting relative to the City's response to the Baykeeper Consent Decree and the system improvements necessary to comply with that Decree (\$656,000).
- Storm Drain fees assessed on property owners remained relatively constant, increasing by \$6,000 (2.6%), with operating expenses increasing by \$74,000 (19.5%). The excess of expenses over revenues are made up through operating transfers from the City's General Fund, which totaled \$236,000 in FY 2013-2014.

The chart shown previously illustrates the City's Business-type Activities Expenses and Revenues by Program. The chart demonstrates that the Wastewater Treatment System and Municipal Water System are self-sustaining funds through the fees charged to ratepayers of those respective systems. The Storm Drain system requires operating transfers from the City's General Fund to be self-sustaining. Wastewater Treatment System expenses comprise 54.1% of all Business-type Activities, followed by the Municipal Water System at 42.9% and Storm Drain activities with 3%. Wastewater Treatment System revenues comprise 54.3% of all Business-type Activities, followed by the Municipal Water System at 44.1%, and Storm Drain with 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 \$204,000, a decrease of \$86,000 (29.7%) from the prior fiscal year due primarily to a one-time grant received in FY 2012-2013 from the City / County Association of Governments for work performed on certain infrastructure.

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 2013-2014 the City's Governmental Funds reported a combined ending Fund Balance of \$28.8 million, an increase of \$4.5 million (18.6%) over the prior year ending balance of \$24.3 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 for fiscal year 2013-2014 compared to the prior fiscal year.

Governmental Funds

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Ending Fund Balances	
	2013	2014	2013	2014	2013	2014	2013	2014
General Fund	\$20,394,877	\$20,579,920	\$15,327,679	\$16,164,375	\$5,067,198	\$4,415,545	\$10,560,400	\$14,975,945
Low and Moderate Income Housing	615,889	18,666	11,602	12,335	604,287	6,331	1,228,639	1,234,970
Library Bonds	670,325	786,231	633,469	754,521	36,856	31,710	791,811	823,521
Other Governmental Funds	5,312,971	4,980,236	5,353,909	4,904,789	(40,938)	75,447	11,730,793	11,806,240
TOTAL	\$26,994,062	\$26,365,053	\$21,326,659	\$21,836,020	\$5,667,403	\$4,529,033	\$24,311,643	\$28,840,676

The General Fund had an ending Fund Balance of \$15.0 million, an increase of \$4.4 million over the prior year end balance. Key factors contributing were significant gains in revenues such as property and transient occupancy taxes, and the continued proactive management of expenditures allowing the City to build its reserves and begin funding its Other Post-Employment Benefit (OPEB) liabilities. The Low and Moderate Income Housing Asset Fund had an ending Fund Balance of \$1.2 million, increasing by \$6,000 during the current fiscal year. The Library Bonds Debt Service Fund finished the year with a fund balance of \$823,000, an increase of \$32,000 over the prior year, and is presented as a Major Governmental Fund this year due to the significant activity associated with the refunding of the General Obligation Bonds associated with the construction of the Library. Other Governmental Funds have a combined ending Fund Balance of \$11.8 million, a decrease of \$4 thousand over the prior year ending balance.

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 for fiscal year 2013-2014 compared to the previous fiscal year.

**GENERAL FUND
REVENUE AND EXPENDITURE COMPARISON
June 30, 2014**

	<u>2013</u>	<u>2014</u>	<u>Dollar Variance</u>	<u>Percentage Variance</u>
REVENUES				
Property Taxes	\$8,538,919	\$9,504,189	\$965,270	11.30%
Sales Tax	2,162,011	2,269,198	107,187	4.96%
Transient Occupancy Tax	4,985,527	6,136,979	1,151,452	23.10%
Franchise Taxes	858,986	1,172,386	313,400	36.48%
Other Taxes	194,493	286,272	91,779	47.19%
Licenses and Permits	865,298	806,932	(58,366)	-6.75%
Charges for Service	793,515	788,652	(4,863)	-0.61%
Fines and Forfeitures	1,165,881	1,261,992	96,111	8.24%
Use of Money and Property	439,237	714,480	275,243	62.66%
Grants and Intergovernmental	101,724	223,924	122,200	120.13%
Miscellaneous	424,012	391,028	(32,984)	-7.78%
TOTAL REVENUES	<u>20,529,603</u>	<u>23,556,032</u>	<u>3,026,429</u>	<u>14.74%</u>
EXPENDITURES				
General Government	2,614,256	2,659,058	44,802	1.71%
Public Safety	9,893,930	10,125,169	231,239	2.34%
Highway and Streets	913,244	834,709	(78,535)	-8.60%
Culture and Recreation	3,283	1,857	(1,426)	-43.44%
Community Development	1,861,261	2,461,470	600,209	32.25%
Capital Outlay	41,705	82,112	40,407	96.89%
TOTAL EXPENDITURES	<u>15,327,679</u>	<u>16,164,375</u>	<u>836,696</u>	<u>5.46%</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	397,301		(397,301)	
Transfers Out	(532,027)	(2,976,112)	(2,444,085)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>(134,726)</u>	<u>(2,976,112)</u>	<u>(2,841,386)</u>	
NET CHANGE / FUND BALANCE	<u>5,067,198</u>	<u>4,415,545</u>		
BEGINNING FUND BALANCE	<u>5,493,202</u>	<u>10,560,400</u>		
ENDING FUND BALANCE	<u>\$10,560,400</u>	<u>\$14,975,945</u>		

The General Fund had an ending Fund Balance of nearly \$15.0 million, which reflects an increase of \$4.4 million from the prior year. The increase is attributable to the growth in revenue and the cost savings measures that have been implemented across all functional expenditure categories within the General Fund.

General Fund Budgetary Revenue and Expenditure Changes

Actual revenues exceeded budgeted revenues by \$2.6 million (or 12.4% higher than budget) in fiscal year 2013-2014 due to greater than forecasted property tax revenues associated with recovering real estate prices that translate into higher assessed valuations, the completion of the renovation of the ALOFT Hotel property which has begun to generate significant transient occupancy tax revenues, and the recovery of the travel and tourism industry that has led to growth in the base of transient occupancy taxes. Actual expenditures were \$2.5 million (or 12.5%) less than budget due to significant cost savings from the contract for police services with the San Mateo County Sheriff's Department and unexpended appropriations for OPEB funding based upon the City Council's mid-year decision to transfer available reserves to the OPEB Internal Services Fund as indicated above. It should be noted that the Community Development Department incurred significant legal expenditures associated with a code enforcement action against a company conducting a non-conforming business in the City, which led to their department expending funds \$550,000 over budget. Budgetary control is exercised at the fund level such that additional appropriations were unnecessary for that department within the General Fund.

The following table compares the Total Fund Balance and the Unassigned Fund Balance to Total Fund Expenditures (total expenditures plus other financing uses) as a measure of the liquidity of the General Fund.

GENERAL FUND EXPENDITURES FUND BALANCE COMPARISON		
	2013	2014
Fund Balance Classification		
Nonspendable: Pre Paid Expense	\$298,057	\$672,576
Assigned: OPEB	2,184,462	-
Assigned: Encumbrances	203,355	236,452
Unassigned	7,874,526	14,066,917
Total Fund Balance	\$10,560,400	\$14,975,945
Expenditures	\$15,859,706	\$16,164,375
Total Fund Balance	10,560,400	14,975,945
PERCENTAGE	66.59%	92.65%
Expenditures	\$15,327,679	\$16,164,375
Unassigned Fund Balance	7,874,526	14,066,917
PERCENTAGE	51.37%	87.02%

During fiscal year 2013-2014, the City Council approved the creation of an OPEB Internal Services Fund to account for the activities associated with the City's post-employment benefit obligations other than pensions. The Assigned Fund Balance for the pre-funding of the OPEB liability in the amount of \$2.2 million was transferred to that fund.

The unassigned General Fund, Fund Balance has increased from \$7.9 million to \$14.1 million. Unassigned General Fund reserves now equate to 87.0% of annual expenditures compared to 51.4% from the prior year. These unassigned funds may be used for future capital improvement projects or other service level enhancements based upon policy established by the City Council. The City has also reserved nearly \$4 million in its unassigned fund balance for unforeseen events and any possible future economic downturn that is equivalent to 15% of the subsequent year's budgeted General Fund expenditures.

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 greater details into the nature and extent of various revenue and expense categories.

The following table shows actual revenues, expenses and results of operations for the fiscal year 2013-2014.

PROPRIETARY FUNDS						
June 30, 2014						
	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Assets
Municipal Water System	\$6,985,239	\$6,451,794	\$533,445	\$75,272	-	\$608,717
Waste Water Treatment	8,598,154	7,144,235	1,453,919	(1,030,158)	-	423,761
Storm Drains	255,443	448,438	(192,995)	4,194	\$235,827	47,026
Internal Service Funds	1,997,449	1,598,218	399,231	1,984	2,184,462	2,585,677
TOTAL	\$17,836,285	\$15,642,685	\$2,193,600	(\$948,708)	\$2,420,289	\$3,665,181

The total net position for the Municipal Water System was \$14.1 million, an increase of \$609,000 (4.5%) over the prior year balance of \$13.5 million; Wastewater Treatment total net position was \$15.7 million, an increase of \$424,000 (2.8%) over the prior year balance of \$15.3 million; Storm Drains total net position was \$430,000, an increase of 47,000 (12.3%) over the prior year balance of \$383,000; and the Internal Service Funds total net position was \$3.8 million, an increase of \$2.6 million (209%) over the prior year balance of \$1.2 million, the significant increase of which was due primarily to the transfer of \$2.2 million from the General Fund in the creation of the OPEB Internal Services Fund as mentioned earlier.

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, 2014

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
	Land	\$15,334,335	\$15,334,335	\$1,601,270	\$1,601,270	\$16,935,605
Construction in Progress	13,156	13,156	24,489	-	37,645	13,156
Building and Improvements	15,733,754	15,299,484	36,113,249	35,500,009	51,847,003	50,799,493
Furniture, Fixtures and Equipment	2,066,444	1,846,686	5,258,605	4,692,405	7,325,049	6,539,091
Automobiles and Trucks	318,338	802,052	7,864	5,325	326,202	807,377
Infrastructure	23,647,237	23,604,524	8,500,324	8,620,417	32,147,561	32,224,941
TOTAL	\$57,113,264	\$56,900,237	\$51,505,801	\$50,419,426	\$108,619,065	\$107,319,663

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2014, decreased by \$1.3 million (1.2%) to \$107.3 million (net of accumulated depreciation), due primarily to the depreciation of the Wastewater Treatment Plant renovation and modernization project that was completed in the prior year.

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 City's outstanding long-term debt at June 30, 2014 in comparison to the prior year.

		LONG-TERM LIABILITIES June 30, 2012					
		Governmental Activities		Business-Type Activities		Total	
		2013	2014	2013	2014	2013	2014
2001	General Obligation Bonds: Public Library	\$9,915,000				\$9,915,000	
2004	Pension Obligation Bonds	14,934,475	\$14,957,390			14,934,475	\$14,957,390
2011	Loan - Refinance 1999 Certificates of Participation	2,263,000	2,097,000			2,263,000	2,097,000
2013	General Obligation Refunding Bonds	-	9,980,175			-	9,980,175
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			6,976,033	6,816,082	6,976,033	6,816,082
2009	State Water Resource Board: Wastewater Plant			27,294,385	25,982,472	27,294,385	25,982,472
	TOTAL	\$27,112,475	\$27,034,565	\$39,830,418	\$38,358,554	\$66,942,893	\$65,393,119

As of June 30, 2014, Governmental Activities outstanding long-term debt was \$27 million and for Business-type Activities was \$38.4 million, for a combined total of \$65.4 million. It should be noted that the City refunded its 2001 General Obligation Bonds in fiscal year 2013-2014, reducing the effective interest rate from 5.12% to approximately 2.1%. 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. While the Recession has ended, and the region sees economic recovery occurring fueled primarily by the reinvestment into technology and biotechnology sectors, the City still faces significant fiscal challenges such as:

- Rising Labor, Health Care, and Pension costs;
- 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: Finance Director
621 Magnolia Avenue
Millbrae, CA 94030



MILLBRAE

CITY OF MILLBRAE

**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, 2014

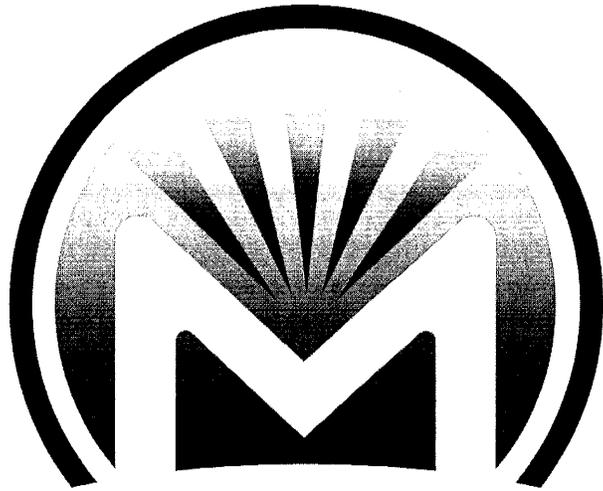
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 3)	\$34,360,260	\$15,378,569	\$49,738,829
Cash with fiscal agent (Note 3)	26,599	1,259,938	1,286,537
Receivables:			
Taxes	1,024,605		1,024,605
Accounts - net	249,531	3,495,057	3,744,588
Accrued interest	572,718	7,673	580,391
Due from other governmental agencies	167,086		167,086
Loans (Note 5)	11,246,880		11,246,880
Internal balances (Note 4B)	(157,955)	157,955	
Prepaid pension obligations (Note 8B)	6,113,479		6,113,479
Prepaid items	672,576		672,576
Land held for resale (Note 7)	587,223		587,223
Capital assets (Note 6):			
Non-depreciable capital assets	14,298,260	1,601,270	15,899,530
Depreciable capital assets, net	42,601,977	48,818,156	91,420,133
Total Assets	111,763,239	70,718,618	182,481,857
LIABILITIES			
Accounts payable and accrued payroll	1,561,940	676,080	2,238,020
Interest payable	198,515	213,547	412,062
Deposits	373,917	585,080	958,997
Unearned revenue	349,746		349,746
Compensated absences (Note 1F):			
Due within one year	113,837	48,561	162,398
Due in more than one year	1,024,536	437,049	1,461,585
Accrued self-insurance (Note 12)			
Due within one year	838,056		838,056
Due in more than one year	1,825,019	18,625	1,843,644
Long-term debt (Note 8):			
Portion due within one year	1,304,000	1,484,640	2,788,640
Portion due in more than one year	25,730,565	36,873,914	62,604,479
Net other postemployment benefit obligation (Note 11)			
Due in more than one year	3,843,033		3,843,033
Total Liabilities	37,163,164	40,337,496	77,500,660
NET POSITION (Note 9)			
Net investment in capital assets	46,920,062	13,320,810	60,240,872
Restricted for:			
Debt service	937,042		937,042
Gas tax	1,821,984		1,821,984
Developer fee - operating	3,194,653		3,194,653
Housing activities	1,234,970		1,234,970
Other special programs	4,399,987		4,399,987
Measure A	1,847,516		1,847,516
Total Restricted Net Position	13,436,152		13,436,152
Unrestricted	14,243,861	17,060,312	31,304,173
Total Net Position	\$74,600,075	\$30,381,122	\$104,981,197

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
General government	\$3,214,519	\$2,409,211	\$3,450	(\$801,858)		(\$801,858)
Public safety	10,427,036	1,814,515	\$95,438	(8,517,083)		(8,517,083)
Highways and streets	2,514,396	436,924	761,930	(1,315,542)		(1,315,542)
Culture and recreation	1,447,747	934,533	60,000	(453,214)		(453,214)
Community development	3,642,560	966,390		(2,676,170)		(2,676,170)
Interest on long-term debt	1,399,344			(1,399,344)		(1,399,344)
Total Governmental Activities	22,645,602	6,561,573	920,818	(15,163,211)		(15,163,211)
Business-type Activities:						
Municipal water system	6,470,274	6,978,562			\$508,288	508,288
Municipal waste water treatment facility	8,155,137	8,581,336			426,199	426,199
Storm drain	454,261	255,353			(198,908)	(198,908)
Total Business-type Activities	15,079,672	15,815,251			735,579	735,579
Total	\$37,725,274	\$22,376,824	\$920,818	(15,163,211)	735,579	(14,427,632)
General revenues:						
Taxes:						
Property taxes				10,106,598		10,106,598
Sales taxes				2,269,198		2,269,198
Transient occupancy tax				6,136,979		6,136,979
Franchise tax				1,172,386		1,172,386
Other taxes				802,021		802,021
Motor vehicle in-lieu, unrestricted				13,589		13,589
Investment earnings				371,386	180,811	552,197
Miscellaneous				101,256	23,585	124,841
Transfers (Note 4A)				(235,827)	235,827	
Total general revenues and transfers				20,737,586	440,223	21,177,809
Change in Net Position				5,574,375	1,175,802	6,750,177
Net Position-Beginning				69,025,700	29,205,320	98,231,020
Net Position-Ending				\$74,600,075	\$30,381,122	\$104,981,197

See accompanying notes to financial statements



MILLBRAE

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 2014. 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 ASSETS CAPITAL PROJECTS 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.

LIBRARY BONDS DEBT SERVICE FUND

This fund accounts 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 and the City's 2013 general obligation bonds issued to refinance the 2001 general obligation bonds.

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Low and Moderate Income Housing Asset Capital Projects Fund	Library Bonds Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 3)	\$13,877,129	\$169,139	\$820,192	\$12,889,291	\$27,755,751
Cash with fiscal agent (Note 3)	23,168		3,329	102	26,599
Receivables:					
Taxes	979,151			45,454	1,024,605
Accounts - net	149,542			99,989	249,531
Accrued interest	125,673	447,045			572,718
Due from other governmental agencies	167,086				167,086
Loans (Note 5)		11,246,880			11,246,880
Prepaid items	672,576				672,576
Land held for resale		587,223			587,223
Total Assets	\$15,994,325	\$12,450,287	\$823,521	\$13,034,836	\$42,302,969
LIABILITIES					
Accounts payable and accrued payroll	\$707,406	\$561		\$808,734	\$1,516,701
Due to other funds					
Deposits	93,243			280,674	373,917
Unearned revenue	210,558			139,188	349,746
Total Liabilities	1,011,207	561		1,228,596	2,240,364
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue	7,173	11,214,756			11,221,929
Total Deferred Inflow of Resources	7,173	11,214,756			11,221,929
FUND BALANCES					
Fund balance (Note 9)					
Nonspendable	672,576				672,576
Restricted		1,234,970	\$823,521	11,806,240	13,864,731
Assigned	236,452				236,452
Unassigned	14,066,917				14,066,917
Total Fund Balances	14,975,945	1,234,970	823,521	11,806,240	28,840,676
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$15,994,325	\$12,450,287	\$823,521	\$13,034,836	\$42,302,969

See accompanying notes to financial statements

CITY OF MILLBRAE
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances reported on the Governmental Funds Balance Sheet \$28,840,676

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 55,835,336

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	6,604,509
Internal balances	(157,955)
Capital assets	1,064,901
Accounts payable	(45,239)
Compensated absences	(1,138,373)
Accrued self-insurance	(2,663,075)

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. 11,221,929

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	6,113,479
Long-term debt	(27,034,565)
Net OPEB Obligation	(3,843,033)
Interest payable	(198,515)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$74,600,075

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, 2014

REVENUES	General	Low and Moderate Income Housing Asset Capital Projects Fund	Library Bonds Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Property tax	\$9,504,189	\$4,510	\$602,409		\$10,111,108
Sales tax	2,269,198				2,269,198
Transient occupancy tax	6,136,979				6,136,979
Franchise tax	1,172,386				1,172,386
Other taxes	286,272			\$515,749	802,021
Licenses and permits	806,932			36,086	843,018
Charges for services	788,652			1,751,389	2,540,041
Fines and forfeitures	1,261,992				1,261,992
Use of money and property	714,480	2,286		350,654	1,067,420
Grants and intergovernmental	223,924			1,751,231	1,975,155
Miscellaneous	391,028	11,870		19,304	422,202
Total Revenues	23,556,032	18,666	602,409	4,424,413	28,601,520
EXPENDITURES					
Current:					
General government	2,659,058				2,659,058
Public safety	10,125,169			260,252	10,385,421
Highways and streets	834,709			754,691	1,589,400
Culture and recreation	1,857			1,133,062	1,134,919
Community development	2,461,470	12,335		818,540	3,292,345
Capital outlay	82,112			745,239	827,351
Debt service:					
Principal			345,000	1,091,000	1,436,000
Interest and fiscal charges			409,305	102,005	511,310
Total Expenditures	16,164,375	12,335	754,305	4,904,789	21,835,804
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,391,657	6,331	(151,896)	(480,376)	6,765,716
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 4A)				2,110,769	2,110,769
Transfers (out) (Note 4A)	(2,976,112)			(1,554,946)	(4,531,058)
Bond issuance (Note 8)			9,745,000		9,745,000
Premium on refunding bonds issued (Note 8)			454,096		454,096
Payment to refunded bond escrow agent (Note 8)			(10,015,490)		(10,015,490)
Total Other Financing Sources (Uses)	(2,976,112)		183,606	555,823	(2,236,683)
NET CHANGE IN FUND BALANCES	4,415,545	6,331	31,710	75,447	4,529,033
BEGINNING FUND BALANCES	10,560,400	1,228,639	791,811	11,730,793	24,311,643
ENDING FUND BALANCES	\$14,975,945	\$1,234,970	\$823,521	\$11,806,240	\$28,840,676

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, 2014

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 \$4,529,033

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	718,455
Retirement of capital assets	(10,191)
Depreciation expense is deducted from the fund balance	(1,364,100)

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	1,436,000
Proceeds from bond issuance	(9,745,000)
Premium on refunding bonds issued	(454,096)
Payment to refunded bond escrow agent	10,015,490
Amortization of refunding bond premium	18,921

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	61,657
Change in interest accrued	40,960
Unpaid interest added to long-term debt	(1,193,405)
Unavailable revenue	(147,700)
Amortization of prepaid pension obligation	(510,008)
Net OPEB	(249,363)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

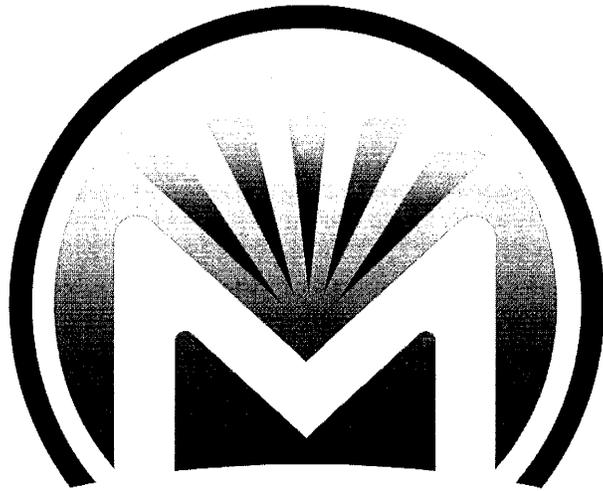
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

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	<u>2,427,722</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$5,574,375</u></u>
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See accompanying notes to financial statements



MILLBRAE

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 2014.

MUNICIPAL WATER SYSTEM FUND

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

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND

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

The City has identified the fund below as a non-major proprietary fund in fiscal year 2014.

The City has identified the fund below as non-major proprietary funds in fiscal year 2014.

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, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Non-Major Storm Drain	Totals	
ASSETS					
Current Assets:					
Cash and investments (Note 3)	\$5,844,484	\$9,368,531	\$165,554	\$15,378,569	\$6,604,509
Cash with fiscal agent (Note 3)		1,259,938		1,259,938	
Receivables:					
Accounts - net	1,601,653	1,893,404		3,495,057	
Accrued interest		7,673		7,673	
Total Current Assets	7,446,137	12,529,546	165,554	20,141,237	6,604,509
Noncurrent Assets:					
Capital assets (Note 6)					
Non-depreciable capital assets	100,770	1,500,500		1,601,270	
Depreciable capital assets, net	7,471,909	40,949,131	397,116	48,818,156	1,064,901
Total Noncurrent Assets	7,572,679	42,449,631	397,116	50,419,426	1,064,901
Total Assets	15,018,816	54,979,177	562,670	70,560,663	7,669,410
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued payroll	315,365	351,085	9,630	676,080	45,239
Interest payable		213,547		213,547	
Deposits	451,306	33,774	100,000	585,080	
Compensated absences (Note 1F)	17,604	28,702	2,255	48,561	113,837
Accrued self insurance					838,056
Long-term debt - due within one year (Note 8)		1,484,640		1,484,640	
Total Current Liabilities	784,275	2,111,748	111,885	3,007,908	997,132
Noncurrent Liabilities:					
Compensated absences (Note 1F)	158,440	258,315	20,294	437,049	1,024,536
Accrued self-insurance (Note 12)		18,625		18,625	1,825,019
Long-term debt (Note 8)					
Due in more than one year		36,873,914		36,873,914	
Total Noncurrent Liabilities	158,440	37,150,854	20,294	37,329,588	2,849,555
Total Liabilities	942,715	39,262,602	132,179	40,337,496	3,846,687
NET POSITION (Note 9)					
Net investment in capital assets	7,572,679	5,351,015	397,116	13,320,810	1,064,901
Unrestricted	6,503,422	10,365,560	33,375	16,902,357	2,757,822
Total Net Position	\$14,076,101	\$15,716,575	\$430,491	30,223,167	\$3,822,723
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.				157,955	
Net position business-type activities				\$30,381,122	

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, 2014

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Non-Major Storm Drain		
OPERATING REVENUES					
Water sales	\$6,978,562	\$122,660		\$7,101,222	
Sewer service fees		8,458,676		8,458,676	
Equipment rental					\$646,921
Interdepartmental charges					1,301,697
Storm drain fees			\$255,353	255,353	
Miscellaneous	6,677	16,818	90	23,585	48,831
Total Operating Revenues	<u>6,985,239</u>	<u>8,598,154</u>	<u>255,443</u>	<u>15,838,836</u>	<u>1,997,449</u>
OPERATING EXPENSES					
Personnel services	1,647,842	3,109,619	221,770	4,979,231	219,569
Contractual services	756,746	1,763,370	164,615	2,684,731	252,931
Materials, supplies and other services	336,575	453,159	4,462	794,196	175,442
Water purchases (Note 14B)	3,303,777			3,303,777	
Depreciation	271,540	1,476,093	42,545	1,790,178	173,216
Utilities	37,713	229,305	7,475	274,493	
Insurance premiums and claims	97,601	112,689	7,571	217,861	777,060
Total Operating Expenses	<u>6,451,794</u>	<u>7,144,235</u>	<u>448,438</u>	<u>14,044,467</u>	<u>1,598,218</u>
Operating Income (Loss)	<u>533,445</u>	<u>1,453,919</u>	<u>(192,995)</u>	<u>1,794,369</u>	<u>399,231</u>
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	75,272	101,345	4,194	180,811	1,984
Interest expense and fiscal charges		(1,131,503)		(1,131,503)	
Total Nonoperating Revenues (Expenses)	<u>75,272</u>	<u>(1,030,158)</u>	<u>4,194</u>	<u>(950,692)</u>	<u>1,984</u>
Income (Loss) Before Transfers	<u>608,717</u>	<u>423,761</u>	<u>(188,801)</u>	<u>843,677</u>	<u>401,215</u>
Transfers in (Note 4A)			235,827	235,827	2,184,462
Net transfers			<u>235,827</u>	<u>235,827</u>	<u>2,184,462</u>
Change in net position	<u>608,717</u>	<u>423,761</u>	<u>47,026</u>	<u>1,079,504</u>	<u>2,585,677</u>
BEGINNING NET POSITION	<u>13,467,384</u>	<u>15,292,814</u>	<u>383,465</u>		<u>1,237,046</u>
ENDING NET POSITION	<u>\$14,076,101</u>	<u>\$15,716,575</u>	<u>\$430,491</u>		<u>\$3,822,723</u>
Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net income of certain internal service funds is reported with the business-type activities which those funds service				<u>96,298</u>	
Change in net position of business-type activities				<u>\$1,175,802</u>	

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Non-Major Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$7,201,318	\$8,703,109	\$255,443	\$16,159,870	\$2,027,214
Payments to suppliers	(4,597,682)	(2,276,667)	(172,320)	(7,046,669)	(411,826)
Payments to employees	(1,612,746)	(3,080,892)	(217,524)	(4,911,162)	(227,508)
Claims paid					(610,899)
Cash Flows from Operating Activities	990,890	3,345,550	(134,401)	4,202,039	776,981
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in			235,827	235,827	2,184,462
Cash Flows from Noncapital Financing Activities			235,827	235,827	2,184,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(111,945)	(591,858)		(703,803)	(616,025)
Principal payments on capital debt		(1,471,864)		(1,471,864)	
Interest paid		(1,139,315)		(1,139,315)	
Cash Flows from Capital and Related Financing Activities	(111,945)	(3,203,037)		(3,314,982)	(616,025)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment with fiscal agent		60,069		60,069	
Interest	75,272	110,128	4,194	189,594	1,984
Cash Flows from Investing Activities	75,272	170,197	4,194	249,663	1,984
Net Cash Flows	954,217	312,710	105,620	1,372,547	2,347,402
Cash and investments at beginning of period	4,890,267	9,055,821	59,934	14,006,022	4,257,107
Cash and investments at end of period	<u>\$5,844,484</u>	<u>\$9,368,531</u>	<u>\$165,554</u>	<u>\$15,378,569</u>	<u>\$6,604,509</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$533,445	\$1,453,919	(\$192,995)	\$1,794,369	\$399,231
Adjustments to reconcile operating income (loss) to cash flows from operating activities:					
Depreciation	271,540	1,476,093	42,545	1,790,178	173,216
Change in assets and liabilities:					
Receivables, net	84,872	90,393		175,265	27,297
Due from other governmental agencies			7,251	7,251	2,468
Accounts payable	(66,835)	30,818	4,552	(31,465)	26,251
Compensated absences	35,096	28,727	4,246	68,069	(7,939)
Prepaid items	1,565	259,641		261,206	
Refundable deposits	131,207	14,562		145,769	156,457
Accrued self insurance		(8,603)		(8,603)	
Cash Flows from Operating Activities	\$990,890	\$3,345,550	(\$134,401)	\$4,202,039	\$776,981
NONCASH TRANSACTION					
Amortization of premium		\$4,951			
Total non-cash activities		\$4,951			

See accompanying notes to financial statements

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY PRIVATE PURPOSE TRUST FUND

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
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

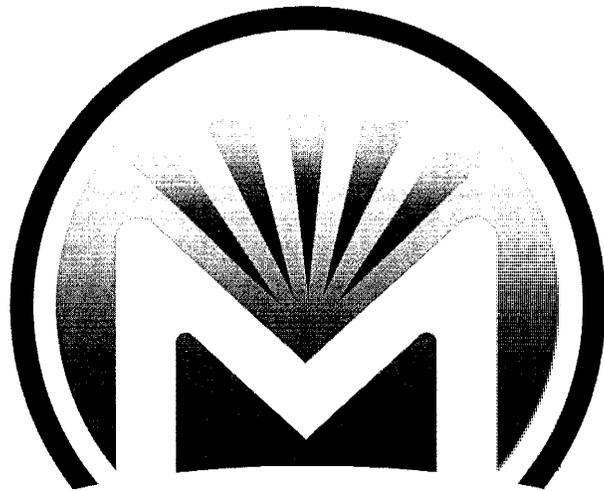
	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund
ASSETS	
Cash and investments (Note 3)	\$751,553
Cash with fiscal agents (Note 3)	548,852
Receivables:	
Accounts - net	4,280
Accrued interest	716
Land held for resale (Note 15B)	1,324,591
Capital assets (Note 15C):	
Depreciable capital assets, net	<u>413,090</u>
Total Assets	<u><u>\$3,043,082</u></u>
LIABILITIES	
Accounts payable	\$264
Interest payable	137,563
Deposits	8,560
Long-term debt (Note 15D):	
Portion due within one year	205,000
Portion due in more than one year	<u>7,205,000</u>
Total Liabilities	<u>7,556,387</u>
NET POSITION (DEFICIT)	
Held in trust for other purposes	<u><u>(\$4,513,305)</u></u>

See accompanying notes to financial statements

CITY OF MILLBRAE
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund <u>Trust Fund</u>
ADDITIONS	
Property tax	\$851,350
Use of money and property	<u>59,254</u>
Total additions	<u>910,604</u>
DEDUCTIONS	
Community Development	516,980
Depreciation	15,357
Interest and fiscal charges	<u>332,733</u>
Total deductions	<u>865,070</u>
Net change in net position before extraordinary item	45,534
NET POSITION	
Beginning of year	<u>(4,558,839)</u>
End of year	<u><u>(\$4,513,305)</u></u>

See accompanying notes to financial statements



MILLBRAE

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 is responsible for providing the following services: public safety (police and 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 Capital Projects Fund - This fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency.

Library Bonds Debt Service fund – This fund accounts for the accumulation of resources and payment of principal and interest on the 2013 general obligation bonds issued to refinance the 2001 general obligation bonds.

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

Municipal Water System Fund - To account for activities related to providing water service Millbrae residents and businesses.

Municipal Waste Water Treatment Facility Fund - To account for services of the collection, treatment and administration of the City's sanitation system.

The City reported the following enterprise fund as a non-major fund in the accompanying financial statements:

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

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

Internal Service Funds. These funds account for municipal garage (fleet) services, workers' compensation, general liability, unemployment insurance, compensated absences, and other post-employment benefits funding; 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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	\$1,146,312	\$417,541	\$1,563,853
Additions	528,412	344,926	873,338
Payments and Adjustments	(536,351)	(276,857)	(813,208)
Ending Balance	<u>\$1,138,373</u>	<u>\$485,610</u>	<u>\$1,623,983</u>
Current Portion	<u>\$113,837</u>	<u>\$48,561</u>	<u>\$162,398</u>
Noncurrent Portion	<u>\$1,024,536</u>	<u>\$437,049</u>	<u>\$1,461,585</u>

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

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Fund*

In fiscal year 2014 the City established the Other Post-Employment Benefits (OPEB) Internal Service Fund to set aside reserves exclusively for the purpose of pre-funding the City's OPEB liabilities. The fund pays those post-retirement benefits to retirees and will charge operating departments an amount each year to fund the OPEB liabilities for the future.

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) and AB2928 Grant Special Revenue Fund.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Encumbrances

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are 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, 2014 were \$236,452 in the General Fund, \$79,963 in the Municipal Water System Enterprise Fund, \$742,838 in the Municipal Waste Water Treatment Facility Enterprise Fund, and \$559,837 in Other Governmental Funds.

C. Expenditures in Excess of Appropriations

The following funds incurred expenditures in excess of appropriations in fiscal year 2014:

Fund	Expenditures exceeded budget
Special Recreation Special Revenue Fund	\$113,031
Sister City Special Revenue Fund	4,903
Joint Fire Training Special Revenue Fund	15,267

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 primary objectives, in priority order, of the City's investment activities are 1) Safety; 2) Liquidity; and 3) Yield. Subject to these objectives being met, the City's goal is then to invest surplus cash reserves at the maximum yield 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, 2014:

City Cash and Investments:	
Cash and investments available for operations	\$49,738,829
Cash and investments with fiscal agent	1,286,537
Total City Cash and Investments	51,025,366
Cash and investments in Fiduciary Funds (Separate Statement):	
Successor Agency to the Redevelopment	
Agency Private Purpose Trust Fund:	
Cash and investments available for operations	751,553
Cash and investments with fiscal agent	548,852
Total Cash and Investments	\$52,325,771

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

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;
- 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;

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

- 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.

City did not enter into any reverse repurchase agreements during the year ended June 30, 2014.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by Debt Agreements

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

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

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

C. Interest Rate Risk

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

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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	\$6,341,118			\$6,341,118
San Mateo County Investment Fund	31,978,351			31,978,351
Negotiable or Non-Negotiable				
Certificates of Deposit	1,481,691	\$612,168	\$834,803	2,928,662
Money Market Funds	917,919			917,919
U.S. Government Agency Obligation				
Callable	996,350			996,350
Municipal Bonds	2,080,003	690,829	1,026,075	3,796,907
Medium Term Notes				
Non-Callable	281,848	312,684		594,532
Petty Cash	1,480			1,480
Cash in banks	4,770,452			4,770,452
Total Cash and Investments	\$48,849,212	\$1,615,681	\$1,860,878	\$52,325,771

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, 2014 for each investment type:

Investment Type	AAA _m	AA ⁺	AA ⁻	A	A ⁻	SPI	Total
Money Market Funds	\$917,919						\$917,919
U.S. Government Agency Obligation							
Non Callable		\$996,350					996,350
Municipal Bonds			\$937,579	\$564,708	\$2,039,320	\$255,300	3,796,907
Medium Term Notes							
Non-Callable					594,532		594,532
	<u>\$917,919</u>	<u>\$996,350</u>	<u>\$937,579</u>	<u>\$564,708</u>	<u>\$2,633,852</u>	<u>\$255,300</u>	<u>6,305,708</u>
<i>Not rated:</i>							
Local Agency Investment Fund							6,341,118
San Mateo County Investment Fund							31,978,351
Negotiable or Non-Negotiable							
Certificates of deposit							2,928,662
Petty Cash							1,480
Cash in banks							4,770,452
Total Cash and Investments							<u>\$52,325,771</u>

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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	\$2,039,320
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	996,350
Municipal Waste Water Treatment Facility Enterprise Fund	BP Capital Markets PLC	Medium Term Notes	281,848
	Goldman Sachs Group Inc.	Medium Term Notes	312,684

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, 2014, these investments matured in an average of 232 days.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2014, these investments have an average maturity of 624 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, 2014 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Transferred</u>	
Storm Drain Enterprise Fund	General Fund	\$235,827	A
Non-Major Governmental Funds	General Fund	555,823	A, B
	Non-Major Governmental Funds	1,554,946	A, B, C
Internal Service Funds	General Fund	<u>2,184,462</u>	D
	Total Interfund Transfers	<u><u>\$4,531,058</u></u>	

The reasons for these transfers are set forth below:

- A To fund administrative/maintenance expenditures
- B To fund debt service payments
- C To close funds
- D To begin prefunding of the City's OPEB liabilities

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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 5 - LOANS RECEIVABLE

Low and Moderate Income Housing Assets Fund Loans receivable as of June 30, 2014, comprised of the following:

Project	Amount
Low-and-Moderate First Time Home Buyer Program	\$479,169
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loans	
88 South Broadway	4,143,040
1388 Broadway	1,369,681
Total Loans Receivable	11,691,890
Allowance for Doubtful Accounts	
Dolores Lia Apartments	(200,000)
88 South Broadway	(184,135)
1388 Broadway	(60,875)
Total Collectible Loans Receivable	\$11,246,880

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 categories who do not qualify for a home purchase without down payment assistance. These loans bear no interest nor require payments for the first ten years of the loan or until the participant ceases employment with the District, whichever is earlier. After that date the loans bear a negotiated interest rate and require monthly interest payments. The loans are secured by second deeds of trust, require the principal balance to be paid at the end of the thirty year term and must be repaid in full if the property is sold to an unqualified buyer.

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).

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 5 - LOANS RECEIVABLE (Continued)

C. Below Market Rate Loans

The former Redevelopment Agency sponsored a program that provided homeownership opportunities to individuals and families of moderate-income by offering below-market rate deferred payment financing. The 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 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2014 comprise:

	Balance at June 30, 2013	Additions	Adjustments/ Retirements	Transfers	Balance at June 30, 2014
Governmental activities					
Capital assets not being depreciated:					
Land	\$15,334,335			(\$1,036,075)	\$14,298,260
Construction in process	13,156			(13,156)	
Total capital assets not being depreciated	15,347,491			(1,049,231)	14,298,260
Capital assets being depreciated:					
Building and Improvements	21,068,962	\$13,629			21,082,591
Furniture, Fixtures and Equipment	5,317,664		(\$10,191)		5,307,473
Automobiles and Trucks	344,655		(11,500)		333,155
Infrastructure	56,399,418	704,826		1,049,231	58,153,475
Total capital assets being depreciated	83,130,699	718,455	(21,691)	1,049,231	84,876,694
Less accumulated depreciation for:					
Building and Improvements	5,369,881	446,298			5,816,179
Furniture, Fixtures and Equipment	3,533,728	164,787			3,698,515
Automobiles and Trucks	331,228	5,476	(11,500)		325,204
Infrastructure	32,752,181	747,539			33,499,720
Total accumulated depreciation	41,987,018	1,364,100	(11,500)		43,339,618
Net capital assets	56,491,172	(645,645)	(10,191)		55,835,336
Internal service funds					
Building and Improvements	80,065				80,065
Furniture, Fixtures and Equipment	713,410		(67,534)		645,876
Automobiles and Trucks	2,207,187	643,683	(252,829)		2,598,041
Total capital assets being depreciated	3,000,662	643,683	(320,363)		3,323,982
Less accumulated depreciation for:					
Building and Improvements	45,392	1,601			46,993
Furniture, Fixtures and Equipment	430,902	25,497	(48,251)		408,148
Automobiles and Trucks	1,902,276	146,118	(244,454)		1,803,940
Total accumulated depreciation	2,378,570	173,216	(292,705)		2,259,081
Net Internal Service Capital Assets Being Depreciated	622,092	470,467	(27,658)		1,064,901
Governmental activity capital assets, net	\$57,113,264	(\$175,178)	(\$37,849)		\$56,900,237

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2013	Additions	Adjustments/ Retirements	Transfers	Balance at June 30, 2014
Business-type activities					
Capital assets not being depreciated:					
Land	\$1,601,270				\$1,601,270
Construction in Progress	24,489		(\$1,993)	(\$22,496)	
Total capital assets not being depreciated	1,625,759		(1,993)	(22,496)	1,601,270
Capital assets, being depreciated:					
Building and Improvements	39,578,602	\$149,097		10,090	39,737,789
Furniture, Fixtures and Equipment	16,104,286	204,864	(41,961)	12,406	16,279,595
Automobiles and Trucks	70,367		(22,893)		47,474
Infrastructure	15,866,660	351,835			16,218,495
Total capital assets being depreciated	71,619,915	705,796	(64,854)	22,496	72,283,353
Less accumulated depreciation for:					
Land Improvements					
Building and Improvements	3,465,353	772,427			4,237,780
Furniture, Fixtures and Equipment	10,845,681	783,470	(41,961)		11,587,190
Automobiles and Trucks	62,503	2,539	(22,893)		42,149
Infrastructure	7,366,336	231,742			7,598,078
Total accumulated depreciation	21,739,873	1,790,178	(64,854)		23,465,197
Depreciable capital assets	49,880,042	(1,084,382)		22,496	48,818,156
Business-type activity capital assets, net	\$51,505,801	(\$1,084,382)	(\$1,993)		\$50,419,426

A. Capital Asset Contributions

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

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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	\$216,765
Public Safety	94,106
Highways and Streets	722,055
Culture and Recreation	37,372
Community Development	293,802
Internal Service Funds	<u>173,216</u>
Total Governmental Activities	<u><u>\$1,537,316</u></u>
 Business-Type Activities	
Municipal Water System	\$271,540
Municipal Wastewater Treatment Facility	1,476,093
Storm Drain	<u>42,545</u>
Total Business-Type Activities	<u><u>\$1,790,178</u></u>

NOTE 7 - PROPERTY HELD FOR RESALE

In 2012, the City elected to act as the successor housing agency to, and upon the dissolution of, the former Redevelopment Agency. In that capacity, during fiscal year 2013, the Successor Agency to the former Redevelopment Agency transferred land held for resale back to the City's Low and Moderate Income Housing Asset Capital Projects 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

	Original Issue Amount	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Current Portion
Governmental Activity Debt:						
2001 Public Library General Obligation Bond						
5.12%-8.5, due 6/1/2036	\$10,600,000	\$9,915,000		\$9,915,000		
2004 Pension Obligation Bonds Series A-2						
4.35%-6.58%, due 6/1/2034	11,521,630	14,934,475	\$947,915	925,000	\$14,957,390	\$960,000
Direct Lender Tax Exempt Loan						
4.25%, due 3/1/2024	2,555,000	2,263,000		166,000	2,097,000	174,000
2013 General Obligation Refunding Bonds						
1%-5%, due 8/1/2037	9,745,000		9,745,000	200,000	9,545,000	170,000
Premium, net of amortization	454,096		454,096	18,921	435,175	
Total Governmental Activity Debt		<u>\$27,112,475</u>	<u>\$11,147,011</u>	<u>\$11,224,921</u>	<u>\$27,034,565</u>	<u>\$1,304,000</u>
Business-Type Activity Debt:						
Enterprise Funds:						
2009 State Water Resources Board Water Pollution Control Plant						
1%, due 4/1/2032	\$28,397,180	\$27,294,385		\$1,311,913	\$25,982,472	\$1,324,640
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	6,870,000		155,000	6,715,000	160,000
Premium, net of amortization	123,774	106,033		4,951	101,082	
Total Business-Type Activity Debt		<u>\$39,830,418</u>		<u>\$1,471,864</u>	<u>\$38,358,554</u>	<u>\$1,484,640</u>

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)

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. These bonds were repayable from a voter-approved tax levied for that purpose. The City had covenanted to direct the County to levy ad valorem taxes upon all property within the City subject to taxation. The bonds were refunded by the 2013 General Obligation Bonds as discussed in Note 8F below

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, 2014, prepaid pension assets amounted to \$6,113,479 (See Note 10).

The Bonds' unaccrued discount totaled \$13,097,610 at June 30, 2014. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. The accreted value on any date other than an interest payment date shall be calculated by straight line interpolation of the accreted as of the immediately preceding and succeeding interest payment date. 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 provided project funds totaling \$28,397,180. The project funds will be repaid at an interest rate of one percent (1%) per annum. 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 \$28,520,358. Principal and interest paid for the current year was \$1,584,464.

D. 2009 - Certificates of Participation - Wastewater

On December 15, 2009, 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)

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.

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 \$2,616,901. Principal and interest paid for the current year was \$262,177.

F. 2013 General Obligation Refunding Bonds

On August 1, 2013 the City issued 2013 General Obligation Refunding Bonds in the amount of \$9,745,000 to refund the 2001 General Obligation Bonds (Millbrae Public Library Project). Net proceeds of \$10,015,470 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the 2001 Public Library General Obligation Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. The reacquisition price equaled the net carrying value of the refunded bonds. The advance refunding reduced the total debt service payments over 23 years by \$1,659,678 and resulted in an economic gain of \$1,106,127.

The 2013 General Obligation Refunding Bonds bear interest rates ranging from 1.0% to 5.0%. Principal payments are due annually on August 1 and interest payments are due semiannually on August 1 and February 1, through August 2036. The total principal and interest remaining to be paid on the bonds is \$15,362,168. Principal and interest paid for the current year was \$425,188.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 8 – LONG-TERM DEBT (Continued)

G. Debt Service Requirements

Year ending June 30:	Governmental Activities			Business-Type Activities		
	Principal (A)	Interest	Total	Principal	Interest	Total
2015	\$1,334,000	\$492,561	\$1,826,561	\$1,484,640	\$1,001,225	\$2,485,865
2016	1,345,000	480,690	1,825,690	1,502,886	982,278	2,485,164
2017	1,402,000	467,265	1,869,265	1,526,265	962,099	2,488,364
2018	1,467,000	452,118	1,919,118	1,544,778	941,487	2,486,265
2019	1,523,000	434,945	1,957,945	1,568,425	920,439	2,488,864
2020-2024	8,706,000	1,856,302	10,562,302	8,186,669	4,243,778	12,430,447
2025-2029	9,425,000	1,286,970	10,711,970	7,718,922	3,682,772	11,401,694
2030-2034	11,700,000	733,925	12,433,925	7,584,887	3,163,526	10,748,413
2035-2039	2,795,000	132,293	2,927,293	5,920,000	1,479,066	7,399,066
2040				1,220,000	45,280	1,265,280
Total	39,697,000	\$6,337,069	\$46,034,069	38,257,472	\$17,421,950	\$55,679,422
Premium	435,175			101,082		
	<u>\$40,132,175</u>			<u>\$38,358,554</u>		

(A) Includes unaccreted discount totaling \$13,097,610

H. 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, 2014 was \$22,370,000.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 when applicable.

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

Detailed classifications of the City's fund balances as of June 30, 2014, are below:

Fund Balance Classifications	General Fund	Low and Moderate Income Housing Asset Capital Projects Fund	Library Bonds Debt Service Fund	Other Governmental Funds	Total
Nonspendable:					
Prepays	\$672,576				\$672,576
Total Nonspendable Fund Balances	672,576				672,576
Restricted for:					
Low and Moderate Income Housing		\$1,234,970			1,234,970
Library Bonds Debt Service Measure A			\$823,521		823,521
Gas Tax				\$1,847,516	1,847,516
Special Recreation				1,821,984	1,821,984
Integrated Waste Management				26,133	26,133
Other				354,503	354,503
Sister City				4,045,484	4,045,484
Joint Fire Training				13,098	13,098
Millbrae Station Area Developer Fee				144,630	144,630
1999 COPs Debt Service				3,194,653	3,194,653
2004 General Obligation Bonds Debt Service				112,226	112,226
Developer Fee Capital Projects				1,295	1,295
				244,718	244,718
Total Restricted Fund Balances		1,234,970	823,521	11,806,240	13,864,731
Assigned for:					
Encumbrances	236,452				236,452
Total Assigned Fund Balances	236,452				236,452
Unassigned	14,066,917				14,066,917
Total Fund Balances	<u>\$14,975,945</u>	<u>\$1,234,970</u>	<u>\$823,521</u>	<u>\$11,806,240</u>	<u>\$28,840,676</u>

At June 30, 2014, in the unassigned balance, the City has reserved \$3,970,000 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%.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 9 – NET POSITION AND FUND BALANCES (Continued)

C. Deficit Fund Balance

At June 30, 2014, the Workers' Compensation Internal Service Fund has a deficit fund balance in the amount of \$325,667 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, 2014, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
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	50	55
Benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	26.76%	22.75%

	<u>Safety</u>	<u>Miscellaneous</u>
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
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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 Asset
<i>Safety Plan</i>			
June 30, 2012	\$1,158,844	100%	\$ 3,657,642
June 30, 2013	832,600	100%	2,792,796
June 30, 2014	878,262	100%	2,659,830
<i>Miscellaneous Plan</i>			
June 30, 2012	\$1,095,192	100%	\$ 3,456,737
June 30, 2013	1,142,021	100%	3,830,691
June 30, 2014	1,140,378	100%	3,453,649

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 \$6,113,479 at June 30, 2014. During fiscal 2013-2014, the amortization of the prepayment decreased the actuarially required contributions by \$510,008 to arrive at Annual Pension Costs of \$1,508,632.

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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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
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%
2012	2,183,549,942	1,896,139,291	287,410,651	86.8%	232,078,083	123.8%

The City's Safety Plan represents approximately 2%, 2%, and 2% of the State-wide pool for the years ended June 30, 2012, 2011, and 2010, respectively, based on covered payroll of \$4,673,446 \$5,095,266 and \$4,569,531 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
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%
2012	2,680,181,441	2,178,799,790	501,381,651	81.3%	417,600,034	120.1%

The City's Miscellaneous Plan represents approximately 1.6%, 1.7% and 2% of the State-wide pool for the years ended June 30, 2012, 2011, and 2010, respectively, based on covered payroll of \$6,741,565, \$7,133,741 and \$6,843,349 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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	<ul style="list-style-type: none"> • Service (50 & 5 years CalPERS service) or Disability retirement • Retire directly from City under CalPERS
Management & Confidential	<p>PEMHCA Unequal Method:</p> <ul style="list-style-type: none"> • Actives: Hired on or before May 1, 2013, City contributes premium up to \$1,385.62; Employees hired after May 1, 2103, the City contributes the minimum PEMHCA amount as required by State law for retiree medical. • 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: <p style="text-align: center;">Cap 2013: \$ 1,207.50 2014: \$ 1,307.50 2015+: \$1,385.62</p>
Sanitation	<ul style="list-style-type: none"> • PEMHCA minimum
Firefighter	<ul style="list-style-type: none"> • Fire Captain Retirees: City contributes \$1,385.62 toward medical premiums • Firefighter Retirees: City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable
Teamsters	<ul style="list-style-type: none"> • Teamsters Local 856 Health & Welfare Trust • Retiree pays full premium • Not included in valuation
Surviving Spouse Benefit	<ul style="list-style-type: none"> • 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

As of June 30, 2014, approximately 45 participants were eligible to receive benefits.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 11 –POST-EMPLOYMENT BENEFITS (Continued)

Healthcare cost trend rate assumptions are as follows:

Year	Increase from Prior Year	
	Non-Medicare	Medicare
	HMO & PPO	HMO & PPO
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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 2014, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC)	\$1,161,000
Interest on net OPEB obligation	144,000
Adjustment to annual required contribution	<u>(322,000)</u>
Annual OPEB cost	983,000
Contributions made:	
City portion of current year premiums paid	<u>733,637</u>
Change in net OPEB obligation	249,363
Net OPEB Obligation at June 30, 2013	<u>\$3,593,670</u>
Net OPEB Obligation at June 30, 2014	<u><u>\$3,843,033</u></u>

The Plan's annual required contributions and actual contributions for the years ended June 30, 2014 are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	\$953,000	\$494,625	51.90%	\$3,248,033
6/30/2013	970,000	624,363	64.37%	3,593,670
6/30/2014	983,000	733,637	74.63%	3,843,033

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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%)

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, 2014, the City paid ABAG Plan \$290,335 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 2013-2014			Fiscal 2012-2013 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$2,460,000	\$46,618	\$2,506,618	\$1,588,585
Net change in:				
Liability for current fiscal year claims	16,085	31,441	47,526	69,084
Claims incurred but not reported (IBNR) and adjustments	(60,669)	580,084	519,415	2,402,596
Claims paid	(88,416)	(322,068)	(410,484)	(1,553,647)
Balances, end of year	<u>\$2,327,000</u>	<u>\$336,075</u>	<u>\$2,663,075</u>	<u>\$2,506,618</u>
Current portion	<u>\$586,000</u>	<u>\$252,056</u>	<u>\$838,056</u>	<u>\$663,385</u>
Noncurrent portion	<u>\$1,741,000</u>	<u>\$84,019</u>	<u>\$1,825,019</u>	<u>\$1,843,233</u>

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 \$84,623 for the year ended June 30, 2014. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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.

B. *Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge*

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

In 2009 the City entered into a new 25 year agreement with the SFPUC that includes an individual water supply guarantee of 3.152 million gallons per day (MGD) to the City. One of the ways that the new agreement differs from the old is in how facilities constructed by the SFPUC that benefit the regional customers are treated from a rate and financial perspective. Under the old agreement, facilities were built, capitalized, and added to the rate base with a rate of return (interest), and then paid for over their useful lives through wholesale rates. Under the new agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds.

During the transition from the old to the new contracts, one of the issues addressed was how to deal with the \$370 million in assets that were still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets' unpaid principal balance without penalty or premium. This prepayment was executed through the issuance of bonds by BAWSCA which provide a better interest rate given the favorable rate environment.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

BAWSCA issued Revenue Bonds in the principal amount of \$335,780,000 in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

Should any participating member fail to pay its share, BAWSCA will rely on the stabilization fund and will pursue all legal remedies to collect the shortfall from the delinquent member. In the interim, other participating members may have their portion adjusted to insure the continued payment of the debt service surcharge.

The risk of bearing the debt service expense of a defaulting member is not significantly different than the risk each member assumes currently for fluctuations in water purchase charges. Under the Bond indenture, BAWSCA maintains a stabilization fund. If surcharge revenues collected are less than needed (due to a member's failure to pay timely), BAWSCA uses the stabilization fund to fund the debt service deficiency, and increases the surcharge in the subsequent year to make up for the prior year shortfall and reimburse the stabilization fund account. Also, given that each participating agency's governing body adopted a Resolution to participate in the Bond issue, Management believes that default is generally very unlikely.

The annual debt service surcharges are a fixed amount for each participant and are calculated by taking the subsequent fiscal year's debt service, multiplied by each participant's actual water purchase as a percent of total wholesale customer water purchases from the prior fiscal year. One-twelfth of the annual surcharge is included in the monthly bill from SFPUC. Because each participant's share of the debt service surcharge is proportional to the amount of water purchased during the prior fiscal year, the City's share of the debt service will fluctuate from year to year.

The City paid its surcharge of \$361,320 during fiscal year 2014, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2015 is estimated to be \$380,436.

C. *San Mateo County Animal Shelter*

Since 1951 cities in San Mateo County have contracted with the County to manage animal control field and sheltering services. The current shelter has been determined to be inadequate to meet current animal sheltering services. In May 2014, all the municipalities signed an agreement, effective September 9, 2014, to share in the construction costs for a new animal control center by repaying the County through a 30-year, interest-free lease agreement in the amount of \$20.2 million. The City's share of annual lease payments is based on a formula using a three year average of shelter use and percentage of population in the County. The City's estimated annual lease payment is \$14,576. The actual lease payments will be determined and payments will commence after the new animal shelter facility is completed, and will be due each July 1st.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

D. *Baykeeper Consent Decree*

In September 2009, BayKeeper, a non-profit organization that watches out for water quality and protection of the San Francisco Bay, filed a Notice Letter with the City alleging that Millbrae was violating the Clean Water Act for discharges of pollutants from the City's wastewater collection system and treatment plant. The complaint was filed in US District Court in December 2009. As a result of several years of discussion regarding the complaints, the City and BayKeeper entered into a Consent Decree ("CD") in the US District Court dated August 31, 2010.

The CD requires the City to implement certain improvements to its wastewater collection and discharge systems to prevent sanitary sewer overflows and maintain compliance with the Clean Water Act. The CD requires that the City implement changes by 2016, unless through a meet and confer process the parties agree to an extended implementation period.

The City engaged West Yost Associates to prepare a thorough analysis of the City's wastewater collection and treatment systems to compare alternatives to implement the changes necessary to be in compliance with the CD. A draft report was received by the City in July 2014, and was discussed in closed session with the City Council on October 1, 2014. The draft report's economic analysis indicates public infrastructure improvements that total approximately \$35 million. The implementation schedule calls for improvements to commence in FY 2014-2015 with final implementation in 2021. The City has currently completed several requirements of the CD including cleaning and inspection of collection system main lines.

The City is meeting and conferring with BayKeeper as provided in the CD in order to settle on the appropriate alternatives to be implemented with a delayed timeline. The City feels confident at the present time that it will be successful in its negotiations with BayKeeper.

Upon conclusion of negotiations with Baykeeper, the City will need to incorporate the fiscal impact of the agreed-upon alternatives in its rate model, using a combination of pay-as-you-go, short-term and long-term financing options in order to pay for the improvements. Staff continues to identify financing and rate setting options relative to the decree, but at the present time the City's Sewer Funds have the requisite funding to handle the immediate capital improvement projects related to the CD.

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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

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, 2014 the State Controller's Office has yet to complete its asset transfer review.

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 are discussed in Note 3 above.

B. *Property Held for Resale*

As of June 30, 2014, the property held for resale was recorded in the amount of \$1,324,591. The former Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

C. *Capital Assets*

The Successor Agency assumed the capital assets of the former 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.

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

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.

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2013	Additions	Balance at June 30, 2014
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
	<u>532,073</u>		<u>532,073</u>
Total capital assets being depreciated	<u>532,073</u>		<u>532,073</u>
Less accumulated depreciation for:			
Building and Improvements	1,142	\$72	1,214
Furniture, Fixtures and Equipment	13,932	1,534	15,466
Automobiles and Trucks	11,754		11,754
Infrastructure	76,798	13,751	90,549
	<u>103,626</u>	<u>15,357</u>	<u>118,983</u>
Total accumulated depreciation	<u>103,626</u>	<u>15,357</u>	<u>118,983</u>
Net capital assets being depreciated	<u>428,447</u>	<u>(15,357)</u>	<u>413,090</u>
Capital Assets, net	<u>\$428,447</u>	<u>(\$15,357)</u>	<u>\$413,090</u>

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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, 2013	Retirements	Balance at June 30, 2014
2005 Redevelopment Agency Tax Allocation Bonds 3.0-4.5%, due 8/1/2035	\$7,610,000	\$200,000	\$7,410,000
Less current portion			(205,000)
Portion due in more than one year			\$7,205,000

2. Debt Service Requirements

Debt service requirements are as follows:

Year ending June 30:	Principal	Interest	Total
2015	\$205,000	\$333,650	\$538,650
2016	210,000	326,563	536,563
2017	225,000	319,038	544,038
2018	235,000	310,882	545,882
2019	245,000	302,110	547,110
2020-2024	1,385,000	1,299,200	2,684,200
2025-2029	1,725,000	953,586	2,678,586
2030-2034	2,165,000	501,980	2,666,980
2034-2036	1,015,000	48,289	1,063,289
Total	\$7,410,000	\$4,395,298	\$11,805,298

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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 \$11,805,298. Principal and interest paid for the current year was \$533,650.

E. *Commitments and Contingencies*

1. *State Approval of Enforceable Obligations*

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

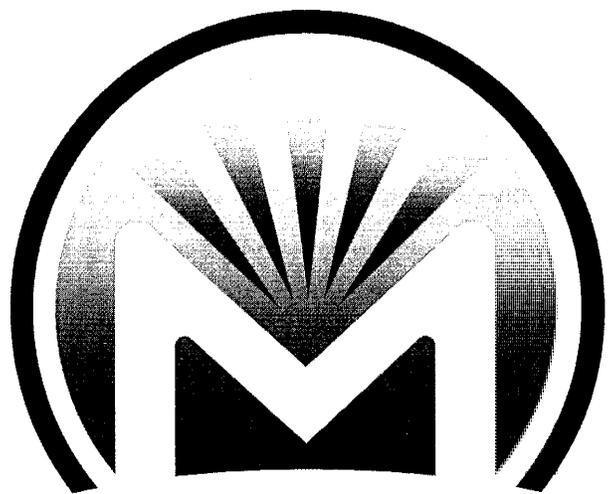
2. *State Asset Transfer Review*

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

CITY OF MILLBRAE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

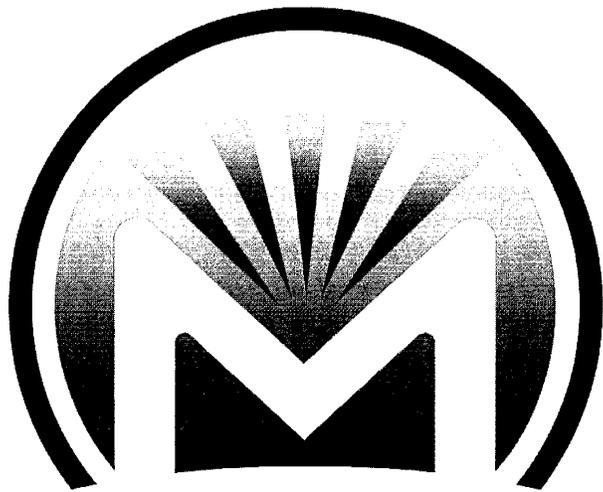
NOTE 15 – RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY)
ACTIVITIES (Continued)

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.



MILLBRAE

REQUIRED SUPPLEMENTARY INFORMATION



MILLBRAE

MAJOR GOVERNMENTAL FUNDS, BUDGET VERSUS ACTUAL – GENERAL FUND

General Fund – The General Fund is established to account for 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 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, 2014

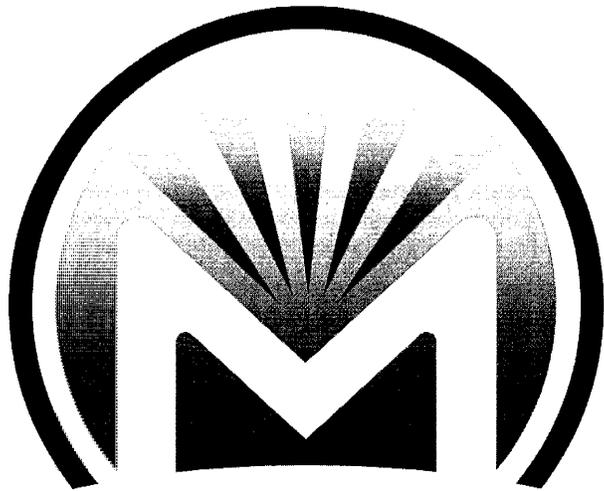
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$8,473,733	\$8,473,733	\$9,504,189	\$1,030,456
Sales tax	2,329,000	2,329,000	2,269,198	(59,802)
Transient occupancy tax	4,749,000	4,749,000	6,136,979	1,387,979
Franchise tax	1,002,000	1,002,000	1,172,386	170,386
Other taxes	202,500	202,500	286,272	83,772
Licenses and permits	881,000	881,000	806,932	(74,068)
Charges for services	642,913	642,913	788,652	145,739
Fines and forfeitures	1,212,000	1,212,000	1,261,992	49,992
Use of money and property	395,200	395,200	714,480	319,280
Grants and intergovernmental	100,000	100,000	223,924	123,924
Miscellaneous	976,078	976,078	391,028	(585,050)
Total Revenues	20,963,424	20,963,424	23,556,032	2,592,608
EXPENDITURES:				
Current:				
General government:				
City council	77,859	77,859	117,830	(39,971)
City clerk	235,936	235,936	176,546	59,390
Administration	579,458	570,656	398,506	172,150
Attorney	380,000	380,000	148,953	231,047
General services:				
Finance	994,791	994,791	931,693	63,098
Human resource	380,932	389,733	182,671	207,062
General government building	156,500	154,500	125,709	28,791
Non-departmental	1,661,858	1,661,858	577,150	1,084,708
Total general government	4,467,334	4,465,333	2,659,058	1,806,275
Public safety:				
Police	6,015,032	5,999,032	5,386,476	612,556
Fire	4,928,775	4,928,775	4,738,693	190,082
Total public safety	10,943,807	10,927,807	10,125,169	802,638
Highways and streets:				
Engineering	593,140	593,024	576,873	16,151
Maintenance	227,457	245,557	257,836	(12,279)
Total highways and streets	820,597	838,581	834,709	3,872
Culture and recreation	9,294	9,294	1,857	7,437
Community development	1,953,708	1,911,028	2,461,470	(550,442)
Capital outlay		321,795	82,112	239,683
Total Expenditures	18,194,740	18,473,838	16,164,375	2,309,463
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,768,684	2,489,586	7,391,657	4,902,071
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(791,650)	(791,650)	(2,976,112)	(2,184,462)
Total other financing sources (uses)	(791,650)	(791,650)	(2,976,112)	(2,184,462)
NET CHANGE IN FUND BALANCES	\$1,977,034	\$1,697,936	4,415,545	\$2,717,609
BEGINNING FUND BALANCE			10,560,400	
ENDING FUND BALANCE			\$14,975,945	

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.

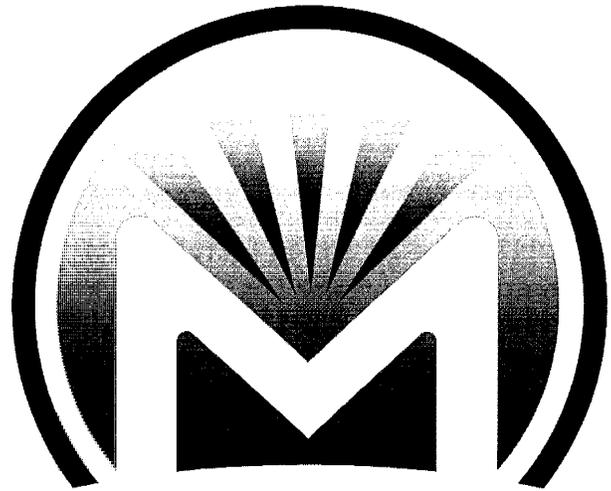
The legal level of budgetary control is the fund level and the Council must approve any revision of budget that increases the total expenditures of any fund. All appropriations remaining at year-end lapse, except for purchases in progress. With City Council approval, prior year unexpended and open project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



MILLBRAE

OTHER SUPPLEMENTARY INFORMATION



MILLBRAE

MAJOR GOVERNMENTAL FUNDS, BUDGET VERSUS ACTUAL –DEBT SERVICE FUND

Library Bonds Debt Service Fund – The Library Bonds Debt Service Fund is established to account for the accumulation of resources and payment of principal and interest on the 2013 general obligation bonds issued to refinance the 2001 general obligation bonds.

CITY OF MILLBRAE
LIBRARY BONDS DEBT SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
GOVERNMENTAL REVENUES			
Property tax	\$658,525	\$602,409	(\$56,116)
Total Revenues	<u>658,525</u>	<u>602,409</u>	<u>(56,116)</u>
EXPENDITURES			
Debt service:			
Principal	345,000	345,000	
Interest and fiscal charges	494,969	409,305	85,664
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(181,444)</u>	<u>(151,896)</u>	<u>29,548</u>
OTHER FINANCING SOURCES (USES)			
Issuance of bonds	9,745,000	9,745,000	
Premium on refunding bonds issued	454,096	454,096	
Payment to refunded bond escrow agent	<u>(10,015,490)</u>	<u>(10,015,490)</u>	
Total Other Financing Sources (Uses)	<u>183,606</u>	<u>183,606</u>	
NET CHANGE IN FUND BALANCES	<u>\$2,162</u>	31,710	<u>\$29,548</u>
BEGINNING FUND BALANCES		<u>791,811</u>	
ENDING FUND BALANCES		<u>\$823,521</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

AB2928 Grant – To account for grants received pursuant to 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 the 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 in 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 operational expenditures incurred for 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.

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 and other various development projects.

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	SPECIAL REVENUE FUNDS			
	Measure A	Gas Tax	AB2928 Grant	Special Recreation
ASSETS				
Cash and investments	\$1,827,242	\$2,346,188		\$295,411
Cash with fiscal agents				
Receivables:				
Taxes	45,454			
Accounts - net				
Total Assets	\$1,872,696	\$2,346,188		\$295,411
LIABILITIES				
Accounts payable and accrued payroll	\$23,180	\$524,204		\$88,909
Deposits	2,000			41,181
Unearned revenue				139,188
Total Liabilities	25,180	524,204		269,278
FUND BALANCE				
Fund balances:				
Restricted	1,847,516	1,821,984		26,133
Total Fund Balances	1,847,516	1,821,984		26,133
Total Liabilities and Fund Balances	\$1,872,696	\$2,346,188		\$295,411

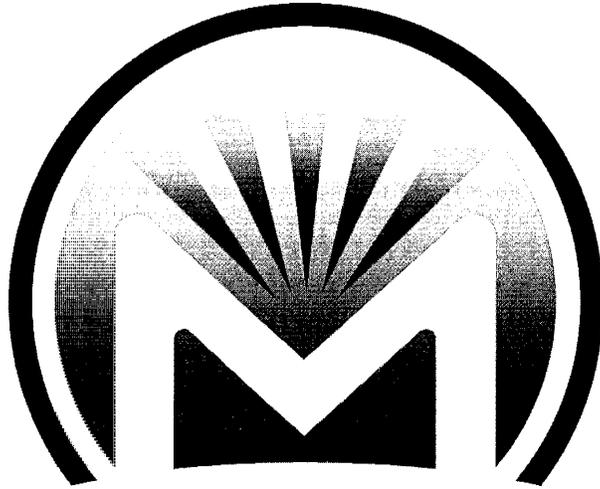
SPECIAL REVENUE FUNDS

Integrated Waste Management	Other	Sister City	Joint Fire Training	Millbrae Station Area Developer Fee - Operating
\$356,574	\$4,019,714	\$13,098	\$150,142	\$3,194,692
<u>39,989</u>	<u>60,000</u>			
<u>\$396,563</u>	<u>\$4,079,714</u>	<u>\$13,098</u>	<u>\$150,142</u>	<u>\$3,194,692</u>
\$2,810	\$16,730		\$5,512	
39,250	17,500			\$39
<u>42,060</u>	<u>34,230</u>		<u>5,512</u>	<u>39</u>
<u>354,503</u>	<u>4,045,484</u>	<u>\$13,098</u>	<u>144,630</u>	<u>3,194,653</u>
<u>354,503</u>	<u>4,045,484</u>	<u>13,098</u>	<u>144,630</u>	<u>3,194,653</u>
<u>\$396,563</u>	<u>\$4,079,714</u>	<u>\$13,098</u>	<u>\$150,142</u>	<u>\$3,194,692</u>

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014

	<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUND</u>	Total Nonmajor Governmental Funds
	<u>1999 COPS</u>	2004 Pension Obligation Bonds	Developer Fee	
ASSETS				
Cash and investments	\$112,226	\$1,193	\$572,811	\$12,889,291
Cash with fiscal agents		102		102
Receivables:				
Taxes				45,454
Accounts - net				99,989
	<u>\$112,226</u>	<u>\$1,295</u>	<u>\$572,811</u>	<u>\$13,034,836</u>
Total Assets				
LIABILITIES				
Accounts payable and accrued payroll			\$147,389	\$808,734
Deposits			180,704	280,674
Unearned revenue				139,188
			<u>328,093</u>	<u>1,228,596</u>
Total Liabilities				
FUND BALANCE				
Fund balances:				
Restricted	<u>\$112,226</u>	<u>\$1,295</u>	<u>244,718</u>	<u>11,806,240</u>
	<u>112,226</u>	<u>1,295</u>	<u>244,718</u>	<u>11,806,240</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$112,226</u>	<u>\$1,295</u>	<u>\$572,811</u>	<u>\$13,034,836</u>



MILLBRAE

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS			
	Measure A	Gas Tax	AB2928 Grant	Special Recreation
GOVERNMENTAL REVENUES				
Property tax				
Other taxes	\$515,749			
License and permits				
Charges for services				\$675,930
Use of money and property	30,345	\$24,046		258,599
Grants and intergovernmental		686,840		
Miscellaneous				397
Total Revenues	546,094	710,886		934,926
EXPENDITURES				
Current:				
General government				
Public safety				
Highways and streets	86,780	391,502		
Culture and recreation				1,125,884
Community development				
Capital outlay	40,764	704,475		
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	127,544	1,095,977		1,125,884
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	418,550	(385,091)		(190,958)
OTHER FINANCING SOURCES (USES)				
Transfers in		1,552,946		44,853
Transfers (out)			(\$1,552,946)	
Total Other Financing Sources (Uses)		1,552,946	(1,552,946)	44,853
NET CHANGE IN FUND BALANCES				
	418,550	1,167,855	(1,552,946)	(146,105)
BEGINNING FUND BALANCES				
	1,428,966	654,129	1,552,946	172,238
ENDING FUND BALANCES				
	\$1,847,516	\$1,821,984		\$26,133

SPECIAL REVENUE FUNDS

Integrated Waste Management	Other	Sister City	Joint Fire Training	Millbrae Station Area Developer Fee - Operating
	\$36,086			
\$299,003	210,279		\$126,722	
4,594	32,738	\$230		
	134,391			
3,615	5,831	9,461		
<u>307,212</u>	<u>419,325</u>	<u>9,691</u>	<u>126,722</u>	
			260,252	
181,843	94,566	7,178		
	379,277			
<u>181,843</u>	<u>473,843</u>	<u>7,178</u>	<u>260,252</u>	
125,369	(54,518)	2,513	(133,530)	
	109,139		134,207	
	(2,000)			
	107,139		134,207	
125,369	52,621	2,513	677	
229,134	3,992,863	10,585	143,953	\$3,194,653
<u>\$354,503</u>	<u>\$4,045,484</u>	<u>\$13,098</u>	<u>\$144,630</u>	<u>\$3,194,653</u>

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	DEBT SERVICE FUNDS		CAPITAL PROJECT FUND	Total Nonmajor Governmental Funds
	1999 COPS	2004 Pension Obligation Bonds	Developer Fee	
GOVERNMENTAL REVENUES				
Property tax				
Other taxes				\$515,749
License and permits				36,086
Charges for services			\$439,455	1,751,389
Use of money and property		\$102		350,654
Grants and intergovernmental		930,000		1,751,231
Miscellaneous				19,304
Total Revenues		930,102	439,455	4,424,413
EXPENDITURES				
Current:				
General government				
Public safety				260,252
Highways and streets				754,691
Culture and recreation				1,133,062
Community development			439,263	818,540
Capital outlay				745,239
Debt service:				
Principal	\$166,000	925,000		1,091,000
Interest and fiscal charges	97,265	4,740		102,005
Total Expenditures	263,265	929,740	439,263	4,904,789
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(263,265)	362	192	(480,376)
OTHER FINANCING SOURCES (USES)				
Transfers in	269,624			2,110,769
Transfers (out)				(1,554,946)
Total Other Financing Sources (Uses)	269,624			555,823
NET CHANGE IN FUND BALANCES	6,359	362	192	75,447
BEGINNING FUND BALANCES	105,867	933	244,526	11,730,793
ENDING FUND BALANCES	\$112,226	\$1,295	\$244,718	\$11,806,240



MILLBRAE

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, 2014

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	\$515,749	\$135,749			
License and permits						
Charges for services						
Fines and forfeitures						
Use of money and property	6,000	30,345	24,345	\$4,000	\$24,046	\$20,046
Grants and intergovernmental				647,099	686,840	39,741
Miscellaneous						
Total Revenues	386,000	546,094	160,094	651,099	710,886	59,787
EXPENDITURES						
Current:						
General government:						
Non-Departmental						
Public safety:						
Fire						
Highways and streets						
Engineering						
Maintenance	201,269	86,780	114,489	511,512	391,502	120,010
Culture and recreation						
Community development						
Capital outlay	50,000	40,764	9,236	1,501,344	704,475	796,869
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	251,269	127,544	123,725	2,012,856	1,095,977	916,879
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	134,731	418,550	283,819	(1,361,757)	(385,091)	976,666
OTHER FINANCING SOURCES (USES)						
Transfers in				1,552,946	1,552,946	
Transfers (out)						
Total Other Financing Sources (Uses)				1,552,946	1,552,946	
NET CHANGE IN FUND BALANCES	\$134,731	418,550	\$283,819	\$191,189	1,167,855	\$976,666
BEGINNING FUND BALANCES (DEFICITS)		1,428,966			654,129	
ENDING FUND BALANCES (DEFICITS)		\$1,847,516			\$1,821,984	

SPECIAL REVENUE FUNDS

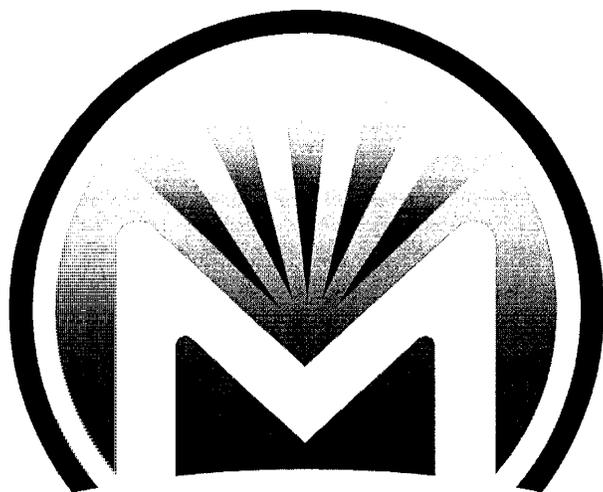
SPECIAL RECREATION			INTEGRATED WASTE MANAGEMENT			OTHER		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$728,000	\$675,930	(\$52,070)	\$245,566	\$299,003	\$53,437	\$20,152	\$36,086	\$15,934
240,000	258,599	18,599	500	4,594	4,094	212,000	210,279	(1,721)
	397	397	5,500	3,615	(5,500)	15,500	32,738	17,238
						262,049	134,391	(127,658)
						500	5,831	5,331
<u>968,000</u>	<u>934,926</u>	<u>(33,074)</u>	<u>251,566</u>	<u>307,212</u>	<u>55,646</u>	<u>510,201</u>	<u>419,325</u>	<u>(90,876)</u>
			218,392	181,843	36,549	47,840	15,813	32,027
1,012,853	1,125,884	(113,031)				236,745	78,753	157,992
						549,309	379,277	170,032
						21,500		21,500
<u>1,012,853</u>	<u>1,125,884</u>	<u>(113,031)</u>	<u>218,392</u>	<u>181,843</u>	<u>36,549</u>	<u>855,394</u>	<u>473,843</u>	<u>381,551</u>
<u>(44,853)</u>	<u>(190,958)</u>	<u>(146,105)</u>	<u>33,174</u>	<u>125,369</u>	<u>92,195</u>	<u>(345,193)</u>	<u>(54,518)</u>	<u>290,675</u>
<u>44,853</u>	<u>44,853</u>					<u>109,139</u>	<u>109,139</u>	
						<u>(2,000)</u>	<u>(2,000)</u>	
<u>44,853</u>	<u>44,853</u>					<u>107,139</u>	<u>107,139</u>	
	<u>(146,105)</u>	<u>(\$146,105)</u>	<u>\$33,174</u>	<u>125,369</u>	<u>\$92,195</u>	<u>(\$238,054)</u>	<u>52,621</u>	<u>\$290,675</u>
	<u>172,238</u>			<u>229,134</u>			<u>3,992,863</u>	
	<u>\$26,133</u>			<u>\$354,503</u>			<u>\$4,045,484</u>	

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS					
	SISTER CITY			JOINT FIRE TRAINING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services				\$110,778	\$126,722	\$15,944
Fines and forfeitures						
Use of money and property	\$75	\$230	\$155			
Grants and intergovernmental						
Miscellaneous	2,200	9,461	7,261			
Total Revenues	<u>2,275</u>	<u>9,691</u>	<u>7,416</u>	<u>110,778</u>	<u>126,722</u>	<u>15,944</u>
EXPENDITURES						
Current:						
General government:						
Non-Departmental						
Public safety:						
Fire				244,985	260,252	(15,267)
Highways and streets						
Engineering						
Maintenance						
Culture and recreation	2,275	7,178	(4,903)			
Community development						
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>2,275</u>	<u>7,178</u>	<u>(4,903)</u>	<u>244,985</u>	<u>260,252</u>	<u>(15,267)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>2,513</u>	<u>2,513</u>	<u>(134,207)</u>	<u>(133,530)</u>	<u>677</u>
OTHER FINANCING SOURCES (USES)						
Transfers in				134,207	134,207	
Transfers (out)						
Total Other Financing Sources (Uses)				<u>134,207</u>	<u>134,207</u>	
NET CHANGE IN FUND BALANCES		<u>2,513</u>	<u>\$2,513</u>	<u>677</u>	<u>\$677</u>	
BEGINNING FUND BALANCES		<u>10,585</u>		<u>143,953</u>		
ENDING FUND BALANCES (DEFICITS)		<u>\$13,098</u>		<u>\$144,630</u>		

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS					
MILLBRAE STATION AREA DEVELOPER FEE - OPERATING			1999 COPS			2004 PENSION OBLIGATION BONDS		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
						\$930,000	\$102 930,000	\$102
						930,000	930,102	102
\$100,000		\$100,000						
			\$166,000 103,624	\$166,000 97,265	\$6,359	925,000 5,000	925,000 4,740	260
100,000		100,000	269,624	263,265	6,359	930,000	929,740	260
(100,000)		100,000	(269,624)	(263,265)	6,359		362	362
			269,624	269,624				
			269,624	269,624				
<u>(\$100,000)</u>		<u>\$100,000</u>		6,359	<u>\$6,359</u>		362	<u>\$362</u>
	\$3,194,653			105,867			933	
	<u>\$3,194,653</u>			<u>\$112,226</u>			<u>\$1,295</u>	



MILLBRAE

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.

Leave Accrual – To account for accumulation of earned compensation.

OPEB – To account for the prefunding and payment of the City's Other Post-Employment Benefits (OPEB) liabilities.

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Leave Accrual</u>
ASSETS					
Current Assets:					
Cash and investments	\$879,850	\$36,363	\$1,984,027	\$385,606	\$1,134,201
Total Current Assets	<u>879,850</u>	<u>36,363</u>	<u>1,984,027</u>	<u>385,606</u>	<u>1,134,201</u>
Noncurrent Assets:					
Capital assets					
Depreciable capital assets, net	1,064,901				
Total Assets	<u>1,944,751</u>	<u>36,363</u>	<u>1,984,027</u>	<u>385,606</u>	<u>1,134,201</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	20,687	(679)	(17,306)	42,537	
Compensated absences	417				113,420
Accrued self-insurance			586,000	252,056	
Total Current Liabilities	<u>21,104</u>	<u>(679)</u>	<u>568,694</u>	<u>294,593</u>	<u>113,420</u>
Noncurrent Liabilities:					
Compensated absences	3,755				1,020,781
Accrued self-insurance			1,741,000	84,019	
Total Liabilities	<u>24,859</u>	<u>(679)</u>	<u>2,309,694</u>	<u>378,612</u>	<u>1,134,201</u>
NET POSITION					
Net investments in capital assets	1,064,901				
Unrestricted	854,991	37,042	(325,667)	6,994	
Total Net Position (Deficits)	<u>\$1,919,892</u>	<u>\$37,042</u>	<u>(\$325,667)</u>	<u>\$6,994</u>	

<u>OPEB</u>	<u>Total</u>
<u>\$2,184,462</u>	<u>\$6,604,509</u>
<u>2,184,462</u>	<u>6,604,509</u>
	<u>1,064,901</u>
<u>2,184,462</u>	<u>7,669,410</u>
	<u>45,239</u>
	<u>113,837</u>
	<u>838,056</u>
	<u>997,132</u>
	<u>1,024,536</u>
	<u>1,825,019</u>
	<u>3,846,687</u>
	<u>1,064,901</u>
<u>2,184,462</u>	<u>2,757,822</u>
<u>\$2,184,462</u>	<u>\$3,822,723</u>

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

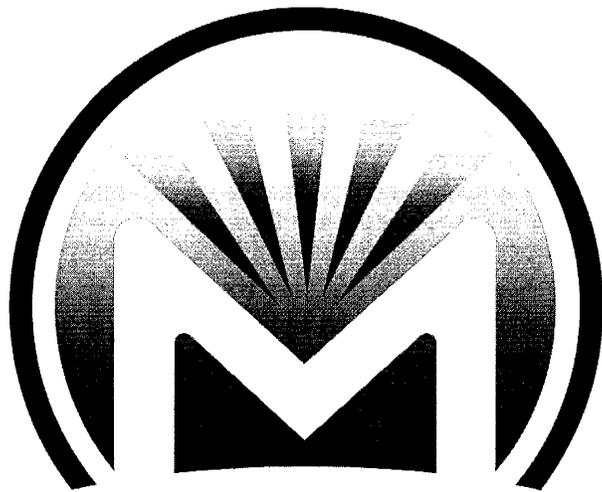
	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Leave Accrual</u>
OPERATING REVENUES					
Equipment rental	\$646,921				
Interdepartmental charges		\$27,562	\$818,584	\$455,551	
Miscellaneous	31,249		17,582		
Total Operating Revenues	<u>678,170</u>	<u>27,562</u>	<u>836,166</u>	<u>455,551</u>	
OPERATING EXPENSES					
Personnel services	88,531		72,829	58,209	
Contractual services	133,228	10	81,740	37,953	
Materials, supplies and other services	158,806			16,636	
Depreciation	173,216				
Insurance premiums and claims	9,704	12,834	142,460	612,062	
Total Operating Expenses	<u>563,485</u>	<u>12,844</u>	<u>297,029</u>	<u>724,860</u>	
Operating Income (Loss)	<u>114,685</u>	<u>14,718</u>	<u>539,137</u>	<u>(269,309)</u>	
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	1,941		43		
Total Nonoperating Revenues (Expenses)	<u>1,941</u>		<u>43</u>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	<u>116,626</u>	<u>14,718</u>	<u>539,180</u>	<u>(269,309)</u>	
Transfers in					
Transfers					
Change in Net Position	116,626	14,718	539,180	(269,309)	
BEGINNING NET POSITION	<u>1,803,266</u>	<u>22,324</u>	<u>(864,847)</u>	<u>276,303</u>	
ENDING NET POSITION (DEFICIT)	<u>\$1,919,892</u>	<u>\$37,042</u>	<u>(\$325,667)</u>	<u>\$6,994</u>	

<u>OPEB</u>	<u>Total</u>
	\$646,921
	1,301,697
	48,831
	<u>1,997,449</u>
	219,569
	252,931
	175,442
	173,216
	777,060
	<u>1,598,218</u>
	<u>399,231</u>
	<u>1,984</u>
	<u>1,984</u>
	<u>401,215</u>
<u>\$2,184,462</u>	<u>2,184,462</u>
<u>2,184,462</u>	<u>2,184,462</u>
<u>2,184,462</u>	<u>2,585,677</u>
	<u>1,237,046</u>
<u>\$2,184,462</u>	<u>\$3,822,723</u>

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Leave Accrual</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$695,203	\$28,086	\$848,374	\$455,551	
Payments to suppliers	(299,932)	(689)	(99,046)	(12,159)	
Payments to employees	(87,429)		(72,829)	(58,209)	(\$9,041)
Claims paid		(12,834)	(275,460)	(322,605)	
	<u>307,842</u>	<u>14,563</u>	<u>401,039</u>	<u>62,578</u>	<u>(9,041)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(616,025)				
Interest income	1,941		43		
	<u>(614,084)</u>		<u>43</u>		
	<u>(306,242)</u>	<u>14,563</u>	<u>401,082</u>	<u>62,578</u>	<u>(9,041)</u>
Cash and investments at beginning of period	<u>1,186,092</u>	<u>21,800</u>	<u>1,582,945</u>	<u>323,028</u>	<u>\$1,143,242</u>
Cash and investments at end of period	<u>\$879,850</u>	<u>\$36,363</u>	<u>\$1,984,027</u>	<u>\$385,606</u>	<u>\$1,134,201</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	\$114,685	\$14,718	\$539,137	(\$269,309)	
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	173,216				
Change in assets and liabilities:					
Accounts receivable	14,565	524	12,208		
Due from other governmental agencies	2,468				
Accounts payable	1,806	(679)	(17,306)	42,430	
Compensated absences	1,102				(\$9,041)
Accrued self-insurance			(133,000)	289,457	
	<u>\$307,842</u>	<u>\$14,563</u>	<u>\$401,039</u>	<u>\$62,578</u>	<u>(\$9,041)</u>

<u>OPEB</u>	<u>Total</u>
	\$2,027,214
	(411,826)
	(227,508)
	(610,899)
	<u>776,981</u>
<u>\$2,184,462</u>	<u>2,184,462</u>
<u>2,184,462</u>	<u>2,184,462</u>
	(616,025)
	1,984
	<u>(614,041)</u>
2,184,462	2,347,402
	<u>4,257,107</u>
<u>\$2,184,462</u>	<u>\$6,604,509</u>
	\$399,231
	173,216
	27,297
	2,468
	26,251
	(7,939)
	<u>156,457</u>
	<u>\$776,981</u>



MILLBRAE

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. Top Ten 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 General 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 Assets by Function/Program
4. Taxable Sales by Category
5. Property Tax Dollar Breakdown
6. Sales Tax Percentage Breakdown

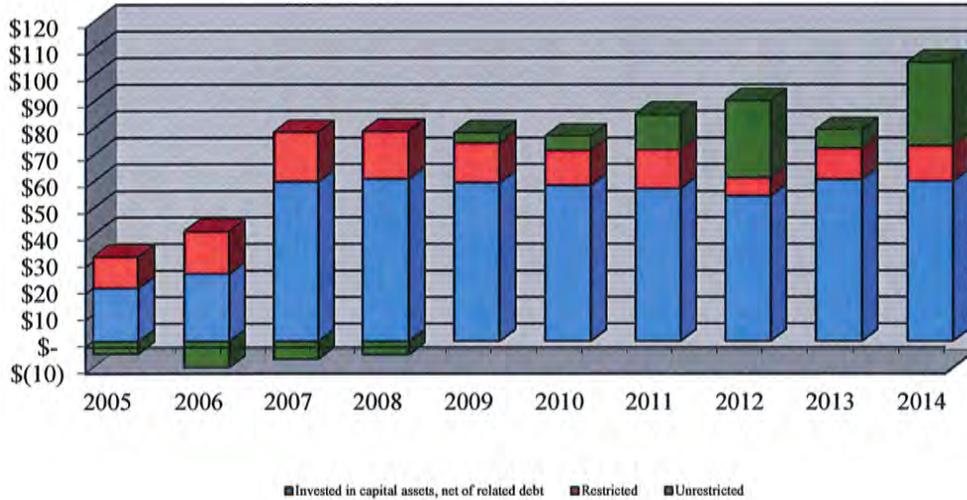
Sources

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.



MILLBRAE

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



	June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$8.8	\$8.7	\$49.6	\$49.0	\$48.8	\$47.2	\$46.4	\$44.5	\$47.6	\$46.9
Restricted	11.8	16.0	18.7	17.6	15.1	13.2	14.7	6.9	11.7	13.5
Unrestricted	(8.6)	(10.3)	(10.7)	(8.7)	(4.8)	(3.7)	0.1	12.6	6.9	14.2
Total governmental activities net position	<u>\$12.0</u>	<u>\$14.4</u>	<u>\$57.6</u>	<u>\$57.9</u>	<u>\$59.1</u>	<u>\$56.7</u>	<u>\$61.2</u>	<u>\$64.0</u>	<u>\$66.2</u>	<u>\$74.6</u>
Business-type activities										
Net investment in capital assets	\$11.2	\$16.7	\$10.4	\$12.1	\$10.9	\$11.5	\$11.1	\$10.2	\$13.3	\$13.3
Unrestricted	4.0	(0.6)	4.0	4.1	8.5	9.1	13.4	16.4	0.2	17.1
Total business-type activities net position	<u>\$15.2</u>	<u>\$16.1</u>	<u>\$14.4</u>	<u>\$16.2</u>	<u>\$19.4</u>	<u>\$20.6</u>	<u>\$24.5</u>	<u>\$26.6</u>	<u>\$13.5</u>	<u>\$30.4</u>
Primary government										
Net investment in capital assets	\$20.0	\$25.4	\$60.0	\$61.1	\$59.7	\$58.7	\$57.5	\$54.7	\$60.9	\$60.2
Restricted	11.8	16.0	18.7	18.0	15.1	13.2	14.7	6.9	11.7	13.5
Unrestricted	(4.6)	(10.9)	(6.7)	(5.0)	3.7	5.4	13.3	29.0	7.1	31.3
Total primary government net position	<u>\$27.2</u>	<u>\$30.5</u>	<u>\$72.0</u>	<u>\$74.1</u>	<u>\$78.5</u>	<u>\$77.3</u>	<u>\$85.5</u>	<u>\$90.6</u>	<u>\$79.7</u>	<u>\$105.0</u>

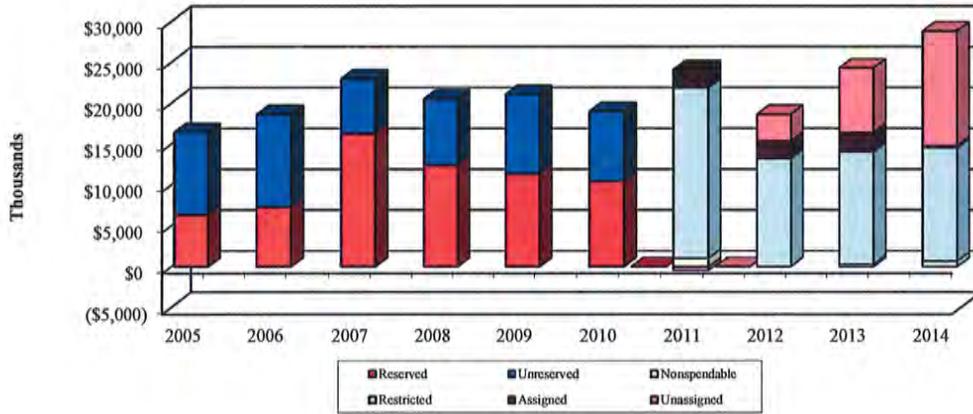
CITY OF MILLBRAE
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

	For the year ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$1.4	\$1.8	\$1.9	\$2.1	\$2.1	\$2.2	\$2.3	\$4.1	\$3.3	\$3.2
Public Safety	8.8	8.8	6.4	10.0	11.7	12.5	11.7	12.1	10.8	10.5
Highway and Streets	1.6	1.5	5.6	4.3	4.1	3.6	2.4	1.1	2.4	2.5
Culture and Recreation	3.1	2.1	1.5	1.5	1.5	1.4	1.2	1.1	1.2	1.4
Community Development	2.0	3.0	5.3	5.1	6.9	8.6	6.3	2.9	3.6	3.6
Interest on Long-Term Debt	1.5	2.9	2.0	2.5	2.1	2.1	2.1	2.0	1.7	1.4
Total Governmental Activities Expenses	18.4	20.1	22.7	25.5	28.4	30.4	26.0	23.3	23.0	22.6
Business-Type Activities:										
Municipal Water System	3.5	3.5	3.8	4.2	4.4	4.9	5.1	5.9	6.4	6.5
Municipal Wastewater Treatment Facility	3.9	4.4	5.2	5.1	5.6	6.1	5.4	6.7	8.2	8.1
Storm Drain	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.5
Total Business-Type Activities Expenses	7.7	8.3	9.4	9.8	10.4	11.5	11.0	13.1	15.0	15.1
Total Primary Government Expenses	26.1	28.4	32.1	35.3	38.8	41.9	37.0	36.4	38.0	37.7
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	0.1	0.3	0.3	0.7	0.7	1.1	1.2	1.5	2.2	2.4
Public Safety	0.5	0.7	1.1	1.2	1.8	1.9	1.9	1.8	1.4	1.8
Highway and Streets	0.2	0.3	0.8	0.4	1.9	0.4	0.4	0.4	0.4	0.4
Culture and Recreation	0.7	0.9	0.8	0.7	0.9	0.9	1.0	1.0	0.9	0.9
Community Development	0.5	0.6	2.0	1.1	3.3	2.0	3.5	1.0	1.1	1.1
Operating Grants and Contributions	1.3	2.8	1.8	1.2	1.7	1.1	1.1	0.8	0.6	0.9
Total Government Activities Program Revenues	3.3	5.6	6.8	5.3	10.3	7.4	9.1	6.5	6.6	7.5
Business-Type Activities:										
Charges for Services:										
Municipal Water System	3.6	3.9	4.4	4.9	5.7	5.4	5.8	6.2	6.7	7.0
Municipal Wastewater Treatment Facility	3.8	4.5	5.0	5.8	6.5	7.6	8.5	8.4	8.5	8.6
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Total Business-Type Activities Program Revenue	7.6	8.6	9.6	10.9	12.4	13.2	14.6	14.9	15.5	15.9
Total Primary Government Program Revenues	10.9	14.2	16.4	16.2	22.7	20.6	23.7	21.4	22.1	23.4
Net (Expense)/Revenue										
Governmental Activities	(15.1)	(14.5)	(15.9)	(20.2)	(18.1)	(23.0)	(16.9)	(16.8)	(16.4)	(15.1)
Business-Type Activities	(0.1)	0.3	0.2	1.1	2.0	1.7	3.6	1.8	1.0	0.8
Total Primary Government Net Expense	(\$15.2)	(\$14.2)	(\$15.7)	(\$19.1)	(16.1)	(21.3)	(13.3)	(15.0)	(15.4)	(14.3)

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$8.5	\$9.6	\$10.9	\$11.9	\$13.1	\$13.4	\$13.4	\$10.9	\$9.2	\$10.1
Sales Taxes	1.9	2.2	2.4	2.2	2.4	2.0	2.2	2.2	2.2	2.3
Motor Vehicle In-Lieu	0.5	0.1	0.1	0.1	0.1	0.1	0.1			
Transient Occupancy Tax	2.3	2.6	2.9	3.3	2.8	2.9	3.7	3.9	5.0	6.1
Other Taxes	1.2	1.7	1.4	1.5	1.4	1.6	1.6	1.7	1.5	1.9
Interest Earnings	0.7	0.5	1.2	1.0	(0.2)	0.3	0.2	0.2	0.4	0.4
Other	0.2	0.2	0.4	0.7	0.3	0.3	0.3	0.2	0.8	0.1
Transfers		(0.1)		(0.3)	(0.5)	0.4	(0.3)	(0.2)	(0.1)	(0.2)
Extraordinary item								0.8		
Total Government Activities	15.2	16.8	19.3	20.4	19.4	21.0	21.2	19.7	19.0	20.7
Business-Type Activities:										
Interest Earnings	0.1	0.2	0.2	0.2	0.2		0.1	0.1	0.2	0.2
Miscellaneous			0.3	0.3	0.1	0.8	(0.3)		0.1	
Transfers and Other			0.1	0.3	0.4	0.5	(0.4)	0.3	0.1	0.2
Total Business-Type Activities	0.1	0.2	0.6	0.8	0.7	1.3	(0.6)	0.4	0.4	0.4
Total Primary Government	15.3	17.0	19.9	21.2	20.1	22.3	20.6	20.1	19.4	21.1
Change in Net Position										
Governmental Activities	0.1	2.3	3.4	0.2	0.2	1.3	(2.0)	4.3	5.0	5.6
Business-Type Activities	0.0	0.5	0.8	1.9	1.8	3.3	1.1	4.0	2.6	1.2
Total Primary Government	\$0.1	\$2.8	\$4.2	\$2.1	\$2.0	\$4.6	(\$0.9)	\$8.3	\$7.6	\$6.8

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



	June 30,				
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$1,435,087	\$1,305,552	\$1,714,021	\$1,216,313	\$1,181,922
Unreserved	117,878	1,399,190	2,982,238	1,684,476	1,567,044
Nonspendable					
Assigned					
Unassigned					
Total General Fund	\$1,552,965	\$2,704,742	\$4,696,259	\$2,900,789	\$2,748,966
All Other Governmental Funds					
Reserved	\$4,920,951	\$5,994,916	\$14,623,608	\$11,216,290	\$10,174,496
Unreserved, reported in:					
Special revenue funds	4,145,428	8,575,778	4,042,908	5,411,096	6,267,513
Capital project funds	5,846,761	1,359,947	(362,503)	1,010,397	1,922,889
Nonspendable					
Restricted					
Unassigned					
Total all other governmental funds	\$14,913,140	\$15,930,641	\$18,304,013	\$17,637,783	\$18,364,898
	2010	2011	2012	2013	2014
General Fund			(b)		
Reserved	\$1,186,935				
Unreserved	1,675,398				
Nonspendable		1,040,100	29,860	298,057	672,576
Assigned		2,264,565	2,171,454	2,387,817	236,452
Unassigned		788,991	3,291,888	7,874,526	14,066,917
Total General Fund	\$2,862,333	\$4,093,656	\$5,493,202	\$10,560,400	14,975,945
All Other Governmental Funds					
Reserved	\$9,253,798				
Unreserved, reported in:					
Special revenue funds	4,914,750				
Capital project funds	1,971,780				
Nonspendable					
Restricted		\$20,860,686	13,174,286	13,751,243	13,864,731
Unassigned		(1,228,417)	(23,248)		
Total all other governmental funds	\$16,140,328	\$19,632,269	\$13,151,038	\$13,751,243	13,864,731

(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.



MILLBRAE

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

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

Fiscal Year Ended June 30,

2009	2010	2011	2012	2013	2014
\$20,081,107	19,922,116	20,876,511	18,724,073	20,487,182	20,491,692
629,695	787,170	665,289	998,214	843,018	843,018
6,219,277	2,169,540	4,205,335	2,462,577	2,540,041	2,540,041
854,587	1,097,610	1,313,498	1,223,209	1,261,992	1,261,992
302,045	805,476	724,554	781,252	1,067,420	1,067,420
1,802,482	2,300,750	1,798,705	808,281	1,975,155	1,975,155
239,237	672,299	834,417	665,205	422,200	422,202
<u>26,097,242</u>	<u>30,128,430</u>	<u>27,754,961</u>	<u>25,662,811</u>	<u>28,597,008</u>	<u>28,601,520</u>
\$1,801,585	1,690,298	1,796,972	2,160,416	2,659,064	2,659,058
10,668,650	11,159,828	10,712,547	11,665,202	10,759,936	10,385,421
1,995,038	2,070,733	1,620,416	1,780,137	1,589,398	1,589,400
1,442,001	1,296,878	1,105,585	1,055,993	1,134,922	1,134,919
5,207,855	9,669,345	5,862,770	4,234,460	3,292,349	3,292,345
5,647,530	906,073	297,200	760,286	827,351	827,351
1,124,366	1,176,898	1,295,105	1,289,000	1,213,344	1,436,000
1,194,519	1,176,578	1,158,685	1,102,398	734,181	511,310
<u>24,445,799</u>	<u>29,081,544</u>	<u>29,146,631</u>	<u>24,047,892</u>	<u>22,210,545</u>	<u>21,835,804</u>
1,046,886	(1,391,670)	6,569,029	1,614,919	6,386,463	6,765,716
7,930,991	4,892,099	3,049,536	1,658,279	2,110,769	2,110,769
(8,403,585)	(5,229,632)	(4,895,301)	(2,006,475)	(4,531,058)	(4,531,058)
					454,096
			2,555,000		9,745,000
			(2,850,000)		(10,015,490)
1,000			25,221		
<u>(471,594)</u>	<u>(337,533)</u>	<u>(1,845,765)</u>	<u>(617,975)</u>	<u>(2,420,289)</u>	<u>(2,236,683)</u>
575,292	(1,729,203)	4,723,264	996,944	3,966,174	4,529,033
			(6,078,629)		
<u>\$575,292</u>	<u>(1,729,203)</u>	<u>4,723,264</u>	<u>(5,081,685)</u>	<u>3,966,174</u>	<u>4,529,033</u>
8.5%	8.6%	10.4%	10.9%	9.1%	9.2%

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Residential Property	Commercial Property	Industrial Property	Other	TOTAL Secured Property	TOTAL Unsecured Property	Total Assessed (a)	Estimated Full Market (a)	Total Direct Tax Rate (b)
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	0.27960%
2014	3,564,999,133	370,956,256	41,702,249	31,783,896	4,009,441,534	64,752,022	4,074,193,556	4,074,193,556	0.14259%

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

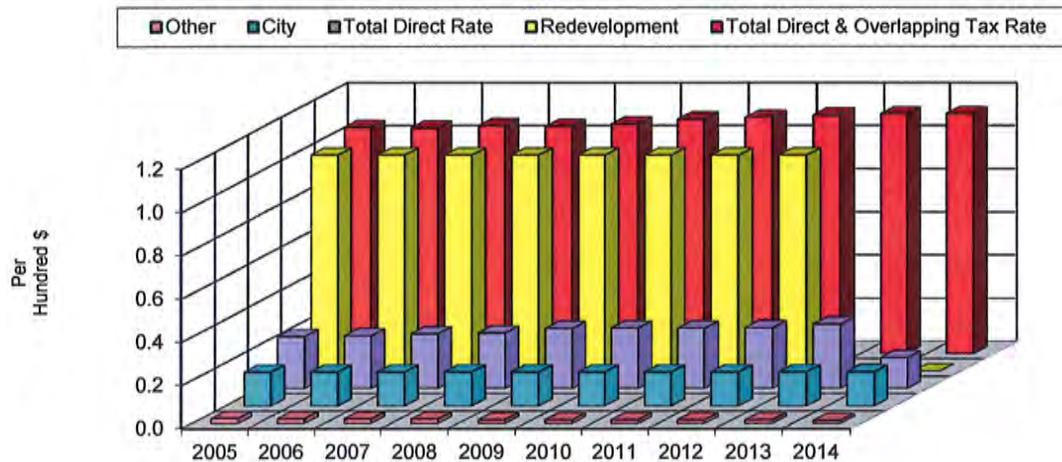
(b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount, by an annual calculation to all taxing entities within a tax rate area. The City of Millbrae encompasses more than fifteen (15) tax rate areas. Starting in FY 2013-2014, the direct tax rate excludes all RPTTF revenues associated with the former Redevelopment Agency.

Sources: HdI Companies
San Mateo County Assessor Combined Tax Rolls from 2004-2005 to 2013-2014

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX RATES ALL OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS



Fiscal Year	Basic Levy (a)	Schools	County	Total Direct & Overlapping Tax Rate (b)	City (c)	Other	Redevelopment (d)	Total Direct Rate (e)
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
2014	1.0000	0.0977	0.0143	1.1120	0.1579	0.0143	-	0.14259

- (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. Beginning in FY 2013-2014, the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas.

Sources: Hdl Companies

San Mateo County Assessor 2004-2005 to 2013-2014 Tax Increment Tables

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

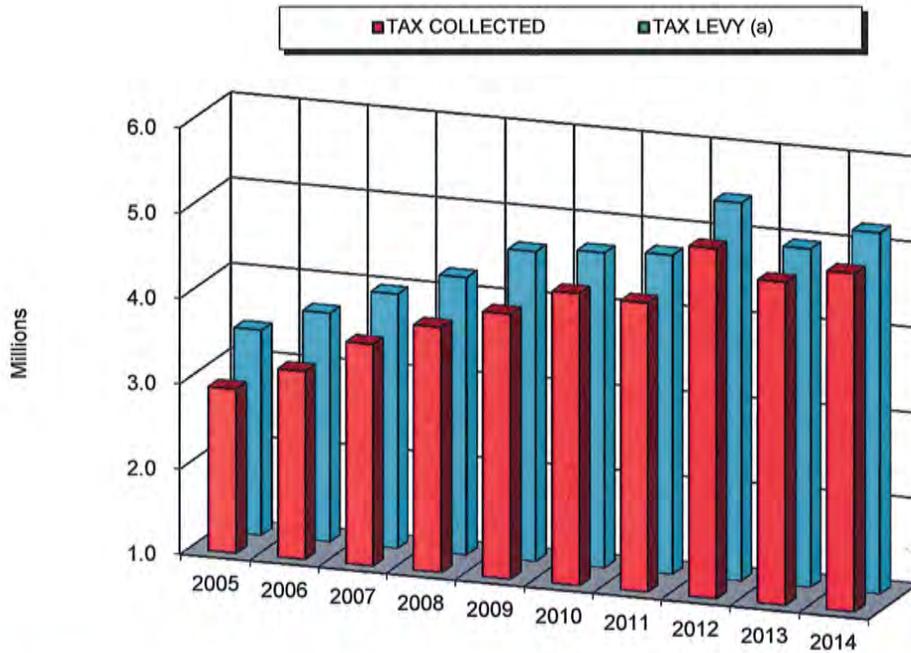
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2004-2005		Fiscal Year 2013-2014	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Millbrae WCP Hotel I LLC			47,476,727	1.18%
Westin Bay Hotel Company	41,558,775	1.66%		
OR Property Holdings			35,437,348	0.88%
SLT Realty Limited Partnership	32,056,096	1.28%		
Millbrae WCP Hotel II LLC			28,969,312	0.72%
Magnolia of Millbrae, Inc.	25,127,832	1.00%	28,525,978	0.71%
Marymount Greenhills LLC	18,944,358	0.75%	22,201,782	0.55%
Friend Friend and Friend			15,843,918	0.40%
Simeon SPFVEF LLC			15,706,803	0.39%
Wilson Plaza LLC			12,305,847	0.31%
Real Property Storage LLC			11,885,502	0.30%
Green Hills Country Club			11,826,117	0.29%
Glenborough Pauls Millbrae LLC	14,193,305	0.57%		
Williams Portfolio I	11,438,596	0.46%		
Townsquare Associates	9,838,715	0.39%		
American Store Properties Inc.	9,317,314	0.37%		
John & Susan Wilms	8,437,782	0.34%		
OSH Acquisition Corp	8,893,000	0.35%		
TOTAL TOP TEN	179,805,773	7.16%	230,179,334	5.74%
Total Secured Assessed Valuation:	2,509,864,869		4,009,441,534	

Source: HdI Companies, San Mateo County Assessor 2003/2004 Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	TOTAL TAX LEVY (a)	Current Tax Collections	San Mateo County Collection Fee (b)	Percent of Levy Collected	Delinquent Tax Collection	TOTAL TAX COLLECTED	Percent of Tax Collected to Tax Levy
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	4,785,385	96.3755%
2014	5,230,684	4,235,301	47,636	81.8810%	681,847	4,964,784	94.9165%

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

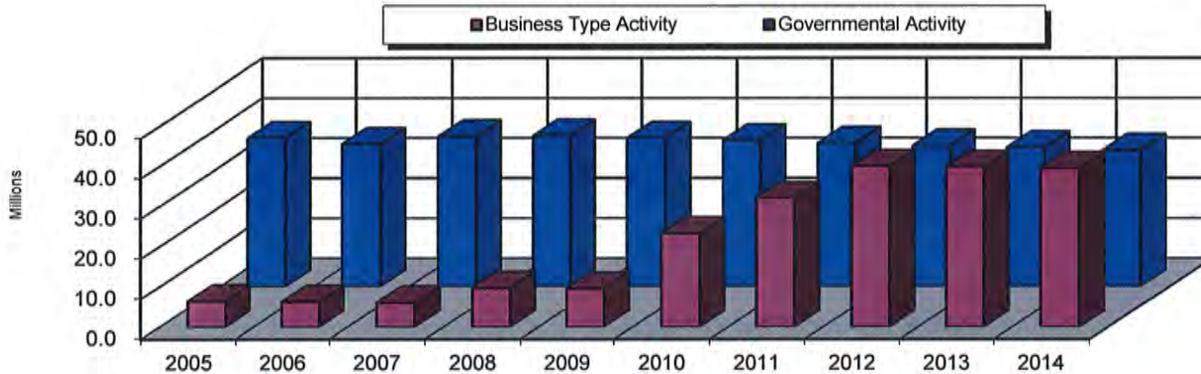
(a) In Fiscal Year 2011-2012 Redevelopment was dissolved and Pursuant California Health and Safety Code Section 34183 Redevelopment funds were redistributed to all taxing entities

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

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

**CITY OF MILLBRAE
STATISTICS**

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



Governmental Activity

Fiscal Year	General Obligation Bonds (a)	Pension Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Loans (b)	TOTAL
2005	10,555,000	11,657,290	8,590,000	3,635,000		2,686,858	37,124,148
2006	10,520,000	11,802,393	8,540,000	3,520,000		1,180,724	35,563,117
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095
2012	10,045,000	14,889,318	7,800,000			2,426,555	35,160,873
2013	9,915,000	14,934,475	7,610,000			2,263,000	34,722,475
2014	9,545,000	14,957,390	7,410,000			2,097,000	34,009,390

Business Type Activity

Fiscal Year	Certificates of Participation	State Revolving Loan (c)	TOTAL	Total Primary Government	Personal Income Percentage	Per Capita
2005		6,486,209	6,486,209	43,610,357	0.12%	2,113
2006		6,286,001	6,286,001	41,849,118	0.11%	2,028
2007		6,076,171	6,076,171	43,540,111	0.10%	2,103
2008		9,793,026	9,793,026	47,446,237	0.11%	2,280
2009		9,564,218	9,564,218	46,657,580	0.10%	2,189
2010	15,931,367	7,382,051	23,313,418	59,799,947	0.14%	2,777
2011	14,325,935	17,738,215	32,064,150	67,878,245	0.18%	3,090
2012	12,690,984	27,405,675	40,096,659	75,257,532	0.19%	3,410
2013	12,430,000	27,400,418	39,830,418	74,991,291	0.19%	3,374
2014	12,275,000	27,280,304	39,555,304	73,564,694	0.19%	3,254

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

(a) In 2014, the 2001 General Obligation Bonds were refinanced with Refunding General Obligation Bonds at lower rates.

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

(c) 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.

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

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

**CITY OF MILLBRAE
STATISTICS**

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

Fiscal Year	Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
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	0.25%	446.06
2014	9,545,000	0.24%	422.25

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

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2014

2013-2014 Assessed Valuation: 4,074,193,556

	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
OVERLAPPING TAX AND ASSESSMENT DEBT			
San Mateo Community College District	563,069,994	2.595%	14,611,666
San Mateo Union High School District	514,146,777	7.470%	38,406,764
Millbrae School District Maintenance Assessment District	58,589,527	59.753%	35,009,000
City of Millbrae - Public Library General Obligation Bonds	9,545,000	100.00%	9,545,000
City of Millbrae - Direct Lender Tax Exempt Loan	2,097,000	100.00%	2,097,000
California Statewide Communities Development Authority			
Park Broadway Assessment District	1,507,572	100.00%	1,507,572
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$101,177,003
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
San Mateo County - General Fund Obligations	473,769,816	2.595%	12,294,327
San Mateo County Board of Education - Certificates of Participation	10,950,000	2.595%	284,153
City of Millbrae - Pension Obligations	14,957,390	100.00%	14,957,390
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$27,535,869
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCY)	7,410,000	100.00%	7,410,000
			26,599,390
			109,523,482
			\$136,122,872 (b)
RATIOS TO 2013-2014 ASSESSED VALUATION			
Direct Debt (\$11,642,000)		0.29%	
Total Direct and Overlapping Tax and Assessment Debt		2.48%	
Combined Direct Debt (\$26,599,390)		0.65%	
Combined Total Debt		3.34%	
RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY			
INCREMENTAL VALUATION (\$664,666,273)			
Total Overlapping Tax Increment Debt		1.11%	

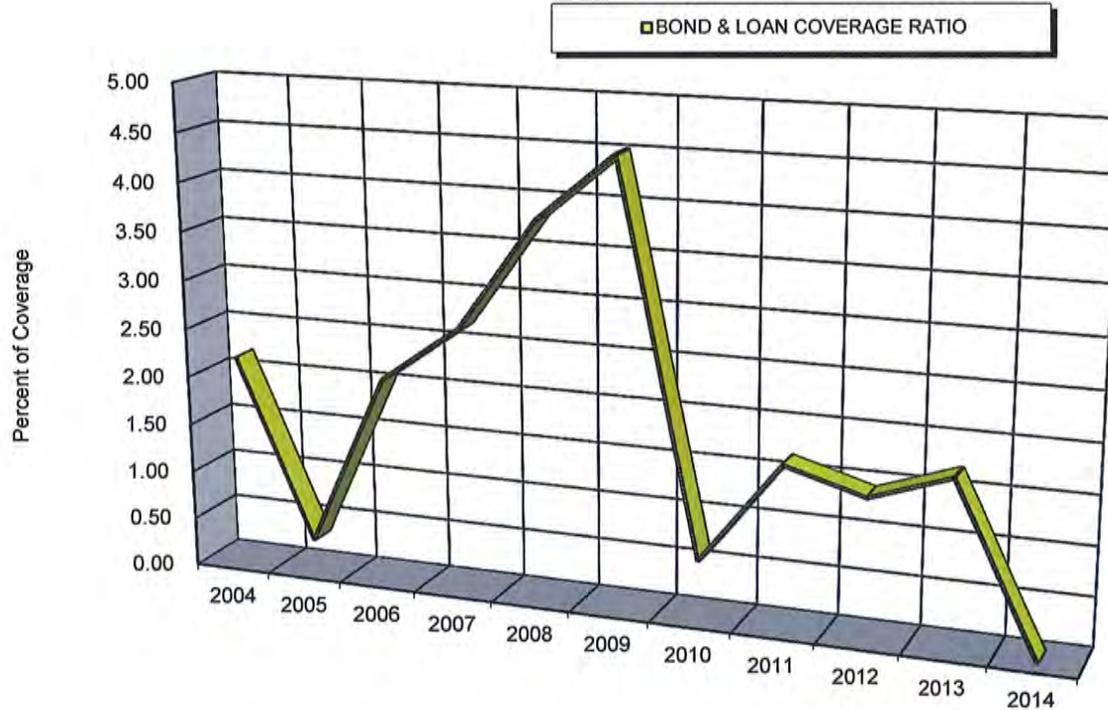
(a) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

(b) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue, and non-bonded Capital Lease Obligations.

Source: California Municipal Statistics, Inc.

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND & LOAN COVERAGE RATIO
				Principal	Interest	Total	
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	1,458,041	868,456	2,326,497	1.70
2014				1,466,914	886,791	2,353,705	

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

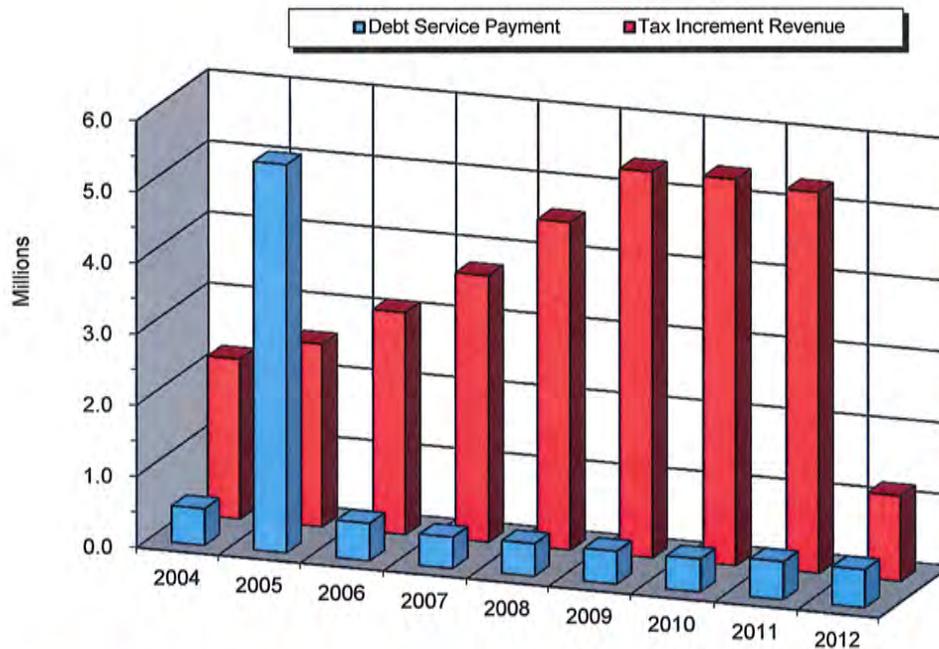
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	GROSS TAX INCREMENT REVENUE	Debt Service Requirements			Bond Coverage Ratio
		Principal	Interest	TOTAL	
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53
2008	4,607,427	95,000	362,325	457,325	10.07
2009	5,426,628	100,000	359,400	459,400	11.81
2010	5,430,198	105,000	356,325	461,325	11.77
2011	5,353,259	180,000	352,050	532,050	10.06
2012	1,206,750	185,000	346,575	531,575	2.27

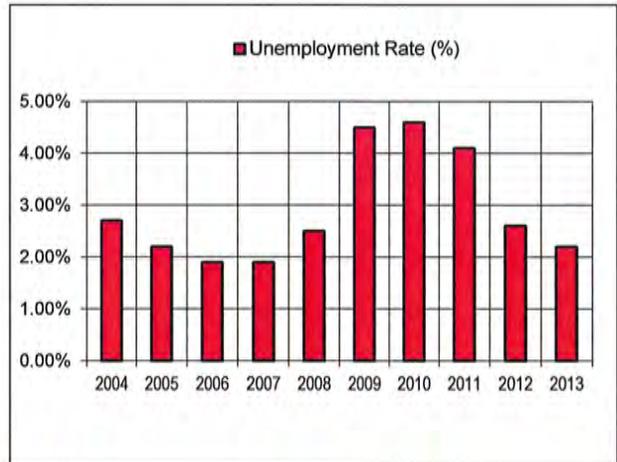
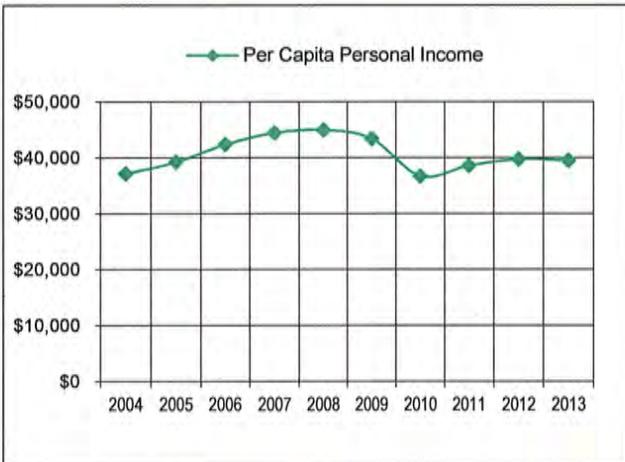
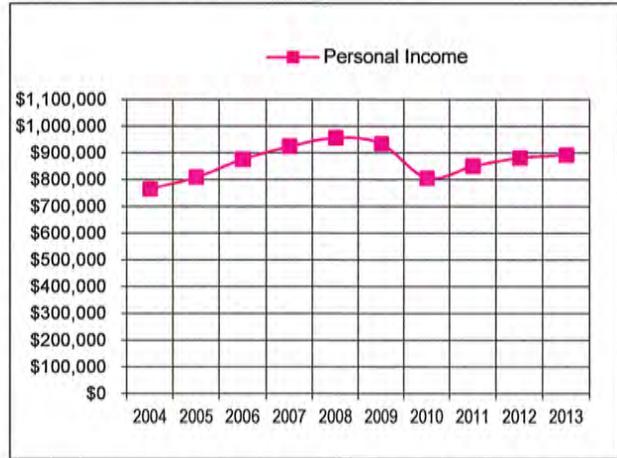
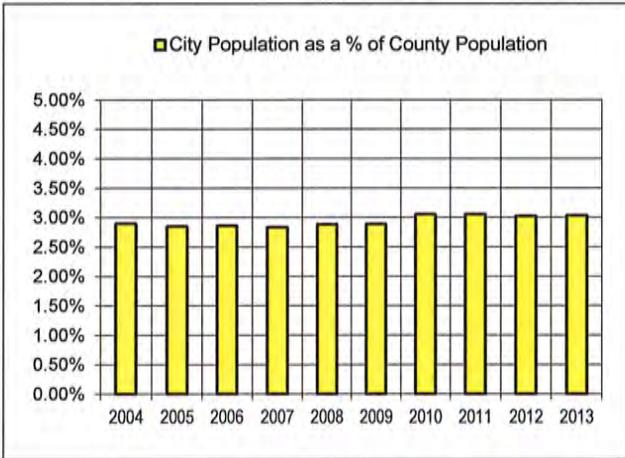
Note: 2005 Millbrae Redevelopment Agency issued TAB for \$8,590,000 and paid off the 1993 TAB outstanding debt

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

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

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



Calendar Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income	Per Capita Personal Income	Unemployment Rate (%)
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%
2013	22,605	745,193	3.03%	\$893,576	\$39,530	2.2%

Sources: State of California, Department of Finance
State of California Employment Development Department
US Census Bureau
Compiled by HdL Companies

CITY OF MILLBRAE
STATISTICS

PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS
(Information prior to 2006 is not available)

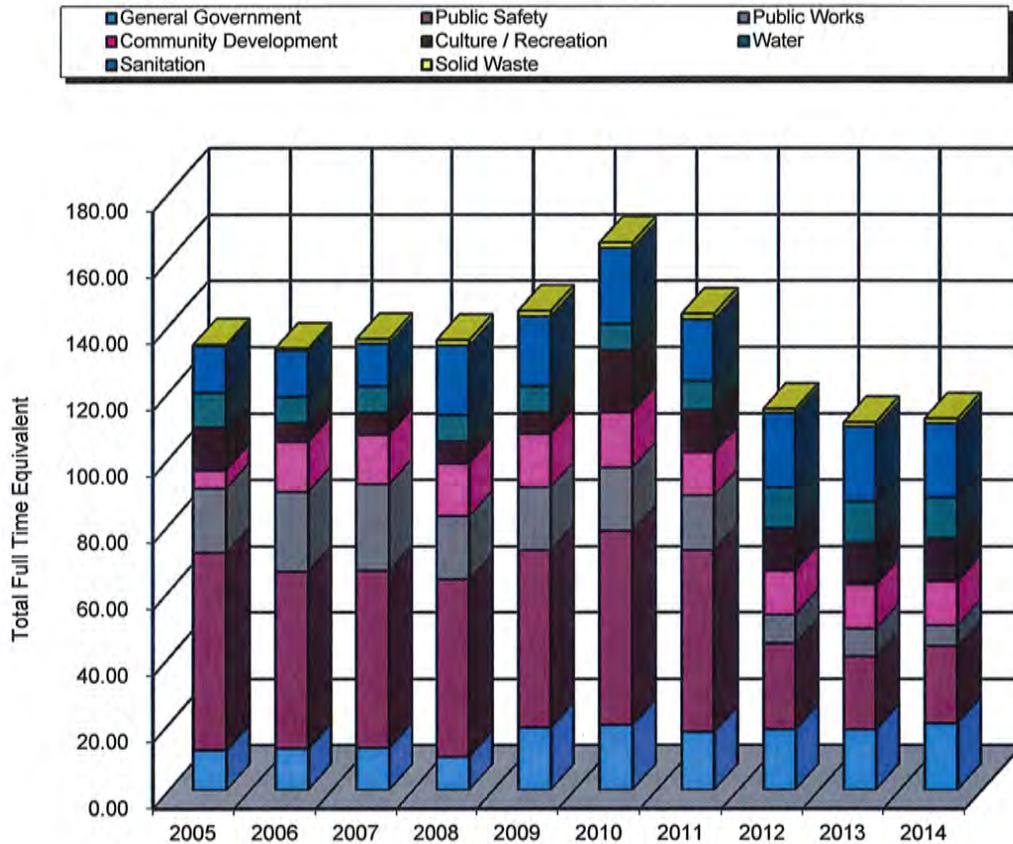
Principal Employer	2006		2007		2008		2009		2010		2011		2012		2013		2014	
	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force
San Francisco PUC (2)	300	3.1%	300	3.1%	300	3.1%	300	3.1%	300	3.1%	150	4.16%	150	4.15%	156	4.15%	300	1.28%
Millbrae School District	225	2.3%	225	2.3%	225	2.3%	225	2.3%	173	3.18%	185	1.9%	188	1.9%	186	2.18%	212	1.9%
Westin Hotel											160	2.17%	164	3.16%	188	1.8%	210	3.19%
24 Hour Fitness Club							100	1.0%	100	1.0%							208	4.19%
Safeway					135	6.14%	135	6.14%	135	6.14%	158	3.16%	165	2.17%	165	3.16%	160	6.15%
A & C Health Care (1)	168	4.18%	168	4.17%	168	4.17%	168	4.18%	150	4.16%	135	6.14%	147	5.15%	143	5.14%	149	7.14%
Mills High School (3)	130	6.13%	130	6.13%	130	7.13%	130	7.14%	125	7.13%	113	7.12%	114	6.11%	114	7.11%	143	8.13%
City of Millbrae	133	5.14%	135	5.14%	135	5.14%	144	5.15%	141	5.15%	143	5.15%	105	8.11%	119	6.12%	112	9.10%
Magnolia of Millbrae	130	7.14%	130	7.13%	130	8.13%	130	7.14%	101	9.11%	108	8.11%	110	7.11%	110	8.11%	110	10.10%
Marymount Greenhills Retirement Center																	85	9.08%
Green Hills Country Club									115	8.12%							72	# 0.7%
Lucky													92	9.09%				
Kohl's Department Store													92	9.10%				
Walgreens													86	10.09%				
Stanwood Resorts	200	3.21%	200	3.21%	200	3.21%	200	3.21%	440	1.46%								
Millbrae Serra Sanitarium	125	8.13%	125	8.13%	125	9.13%	125	8.13%	135	6.14%								
Orchard Supply Hardware									100	9.10%								
World Journal Inc									98	10.10%								
Menyn's LLC	112	9.12%	112	9.12%	112	10.12%												
Sprint Communications			100	10.10%														
Albertson's LLC	100	10.10%																
TOTAL	1,623	16.9%	1,625	16.8%	1,660	17.1%	1,955	20.4%	2,115	22.0%	1,330	13.3%	1,313	13.1%	1,338	13.1%	1,791	16.4%
Total City Labor Force (4)	9,600		9,700		9,700		9,600		9,600		9,600		10,000		10,200		10,900	

(1) A & C Health Care included employees at two locations in the City of Millbrae through March 2014.
 (2) San Francisco PUC (Public Utilities Commission) is a division of San Francisco County. Count is for employees that work out of 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

**CITY OF MILLBRAE
STATISTICS**

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



Function / Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	12.00	12.42	12.62	10.00	18.78	19.50	17.50	18.15	18.15	20.15
Public Safety	59.50	53.50	53.50	53.50	53.50	58.63	54.75	26.00	22.00	23.25
Public Works	19.50	24.00	26.00	19.00	19.00	19.00	16.50	8.65	8.39	6.29
Community Development	5.50	15.00	15.00	16.00	16.00	16.80	13.00	13.25	13.25	13.25
Culture / Recreation	12.75	5.50	6.50	6.50	6.50	18.48	12.66	12.79	12.79	12.79
Water	10.50	8.00	8.00	8.00	8.00	8.00	8.75	12.39	12.39	12.39
Sanitation	14.00	14.00	13.00	21.00	21.00	23.00	18.75	22.45	22.45	22.45
Solid Waste	0.50	0.60	1.25	1.60	1.60	1.60	1.60	1.11	1.37	1.37
TOTAL	134.25	133.02	135.87	135.60	144.38	165.01	143.51	114.79	110.79	111.94

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

Source: City of Millbrae Budget Position Allocation

CITY OF MILLBRAE
STATISTICS

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety									
Fire									
Emergency Responses	2,505	2,620	2,620	2,567	2,554	2,764	2,683	2,735	2,680
Primary Fire Inspections	214	284	261	327	410	527	639	602	388
Police									
Police Calls for Service	13,074	19,159	20,175	19,554	20,944	20,706	17,876	14,837	13,924
Part I and Part II Crimes	1,524	1,219	1,271	1,353	1,369	1,273	1,157	1,367	1,189
Physical Arrests (adult and juvenile)	691	627	699	732	789	677	576	445	558
Traffic Violations	1,744	2,376	1,248	1,817	2,121	2,139	1,834	1,932	1,171
Parking Violations	5,252	4,391	7,842	8,603	11,154	9,030	5,562	6,707	6,694
Public Works									
Street Resurfacing (milles)	Data Not Available	2.00	0.00	0.00	1.00	0.00	0.75	0.00	0.23
Potholes Repaired (square miles)	Data Not Available	0.0000574	0.0000000	0.0000000	0.0007174	0.0009000	0.0008087	0.0004125	0.0009000
Culture and Recreation									
Community Services									
Recreation Class Participants	7,000	8,500	7,121	7,018	6,211	5,443	6,239	6,162	5,305
Library									
Volumes in Collection	71,000	100,000	110,876	111,447	109,241	109,595	110,550	113,345	105,796
Total Volumes Borrowed	446,700	503,000	577,350	616,145	633,241	578,739	550,956	548,010	501,348
Water									
Water Service Connections	6,200	6,437	6,435	6,459	6,474	6,499	6,546	6,549	6,540
Water Main Breaks	7	7	10	16	17	8	8	11	10
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	2,097,301
Sanitation									
Sewer Service Connections	6,200	6,437	6,437	6,459	6,474	6,499	6,546	6,549	6,560
Storm Drain Inlets	700	700	700	700	700	700	700	868	868
Sewer Main Blockages	62	51	34	10	19	8	6	2	1
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	1,498,000
Solid Waste									
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954	2,900	2,831	2,681	2,817	2,566

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

(Information prior to 2006 is not available)

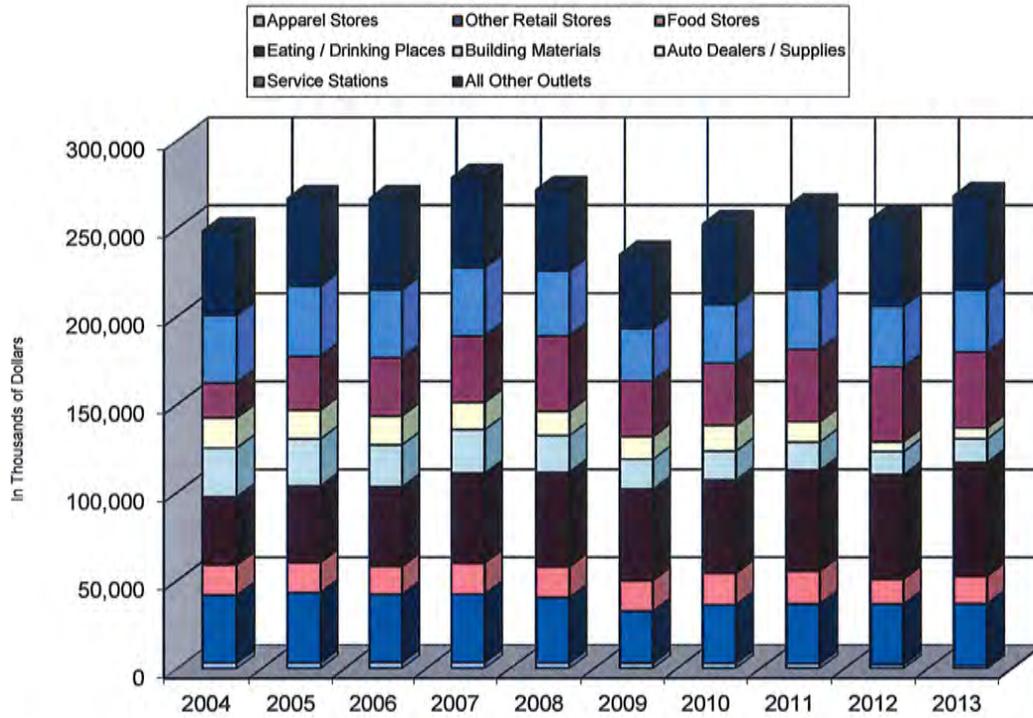
2014 Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety									
Fire Station	2	2	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1	1	1
Police Patrol Unit (a)	17	17	17	17	17	17			
Public Works									
Miles of Streets	110 lane miles								
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	5	5	5	6
Roadway Landscaping Acreage	2	2	2	2	2	2	2	2	2
Culture and Recreation									
Community Services									
City Parks	14	14	14	14	14	14	14	14	14
City Park Acreage	104	104	104	104	104	104	104	104	104
Regional Park Facilities:									
Clubhouse / Banquet Facility	2	2	2	2	2	2	2	2	2
Historic House	2	2	2	2	2	2	2	2	2
Community Center	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1
Community Gardens	1	1	1	1	1	1	1	1	0
City Trail	1	1	1	1	1	1	1	1	1
City Trail Miles	3	3	3	3	3	3	3	3	3
Playgrounds	6	6	6	6	6	6	6	6	6
Tennis Court	4	4	4	4	4	4	4	4	4
Baseball / Softball Diamond	5	5	5	5	5	5	5	5	9
Soccer / Football Field	1	1	1	1	1	1	1	1	3
Library									
City Library	1	1	1	1	1	1	1	1	1
Water									
Miles of Water Mains	70	70	70	70	70	70	70	70	70
Fire Hydrants	545	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	2,360,000
Sanitation									
Miles of Sanitary Sewers	56	56	56	56	56	56	56	56	56
Miles of Storm Sewers	21	21	21	21	21	21	21	21	21
Treatment Plant	1	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	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

**CITY OF MILLBRAE
STATISTICS**

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



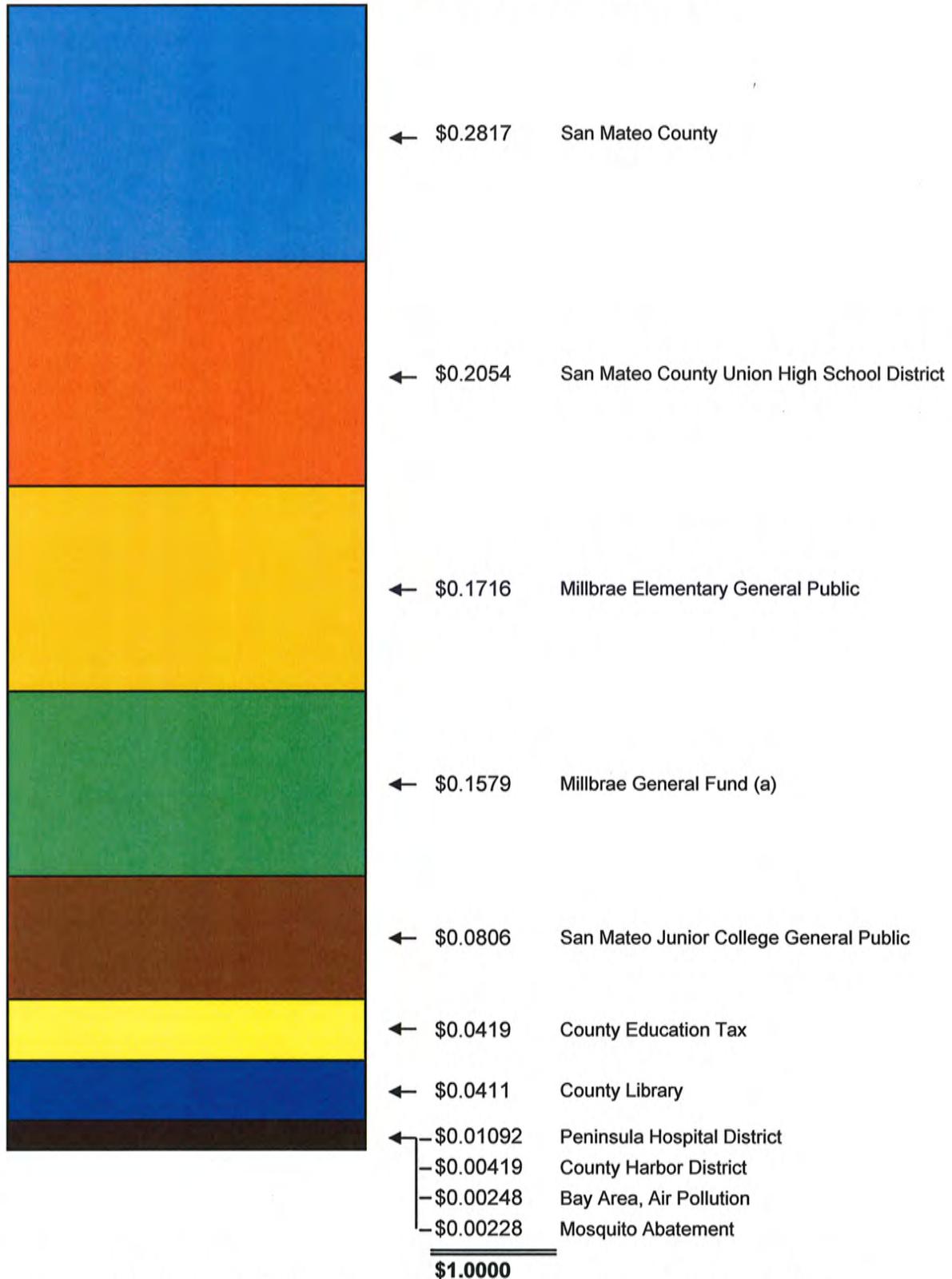
Category	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Apparel Stores	3,142	3,110	3,362	3,270	3,096	2,908	2,824	2,658	2,161	1,514
Food Stores	17,017	16,839	15,798	17,577	17,331	17,285	17,661	18,376	13,939	15,548
Eating / Drinking Places	38,931	43,775	45,255	51,069	53,855	51,912	53,037	57,470	59,383	64,662
Building Materials	27,678	26,585	23,747	24,659	20,745	16,975	16,406	15,883	13,050	13,350
Auto Dealers / Supplies	17,062	16,273	16,438	15,439	13,689	12,757	14,664	11,493	5,564	6,034
Service Stations	19,855	30,677	33,195	37,751	42,876	31,819	35,292	41,192	42,601	43,210
Other Retail Stores	38,439	39,944	38,606	38,851	37,107	29,555	33,299	33,991	34,425	35,255
All Other Outlets	47,738	49,512	51,539	51,028	45,793	42,110	45,696	46,631	49,141	53,471
TOTAL	209,862	226,715	227,940	239,644	234,492	205,321	218,879	227,694	220,264	233,044

Hdl Compan Hdl Companies
State of Cali: State of California Board of Equalization

Note: (1) The Taxable Assessed Value for 2013-14 was not available from the State Board of Equalization.

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX DOLLAR BREAKDOWN



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

Source: San Mateo County Assessor 2013-2014 Annual Tax Increment Tables
Hdl Companies

**CITY OF MILLBRAE
STATISTICS**

SALES TAX PERCENTAGE BREAKDOWN

SALES TAX ALLOCATION FOR ITEMS SOLD IN THE CITY OF MILLBRAE

The sales tax rate for the City of Millbrae is: **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)
<u>.75%</u>	City of Millbrae
9.00%	Total Sales Tax Allocation

To put this in perspective:

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



MILLBRAE