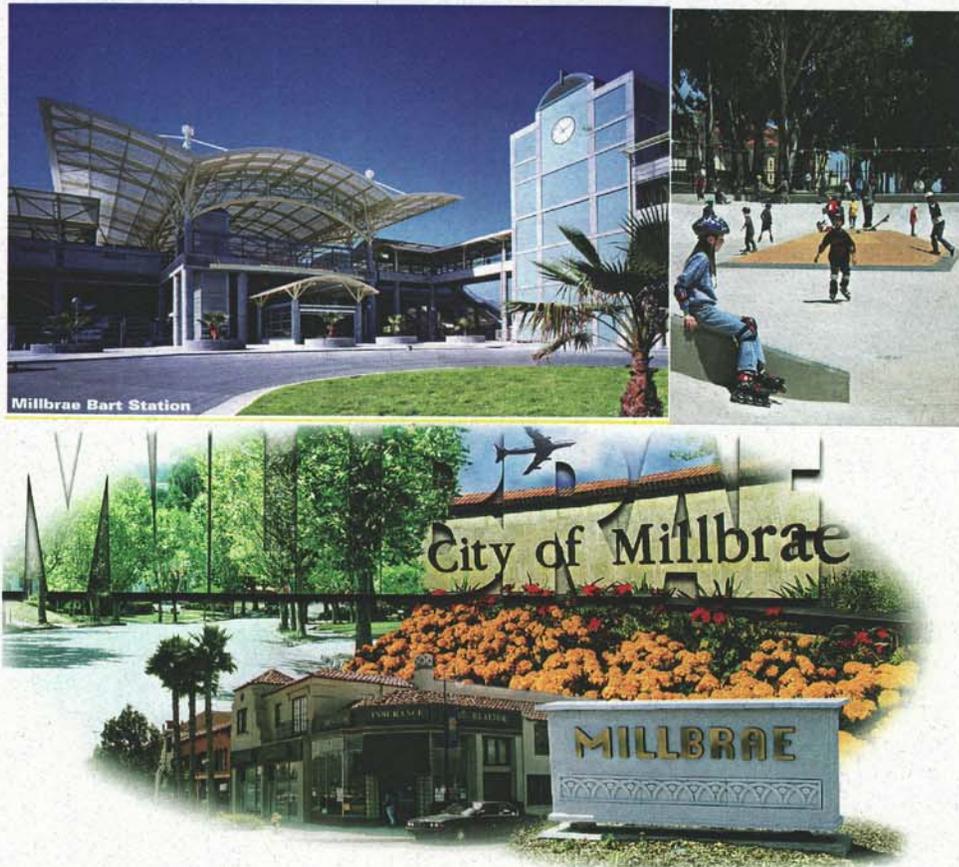




City of Millbrae California

Comprehensive Annual Financial Report



For the year ended
June 30, 2008

CITY OF MILLBRAE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

Prepared by
FINANCE DIVISION,
DEPARTMENT OF GENERAL SERVICES

CITY OF MILLBRAE

**Comprehensive Annual Financial Report
For the Year Ended June 30, 2008**

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City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

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

October 10, 2008

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Millbrae (City). This report presents the financial position and the changes in the financial position for the fiscal year ended June 30, 2008. The basic financial statements and supporting schedules have been prepared in compliance with California Government code Sections 25250 and 25253 and in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

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

The City's financial statements have been audited by the independent audit firm of Maze & Associates, a certified public accounting firm. The objective of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, 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, 2008. The Independent Auditors' Report is presented as the first item under the Financial Section of this report.

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

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

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

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

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

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

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

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

Respectfully submitted,



LaRae Brown
Finance Director

ATTACHMENT A

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Millbrae (City) was founded in 1856, incorporated in 1948 and operates as a General Law City serving a population of over 20,000. The City is located on the California Peninsula, 15 miles south of San Francisco. The boundaries of the City extend roughly from the Bayshore Freeway on the east to Skyline Boulevard on the west. This distance is approximately 1.7 miles. The distance between the north and south City limit line is approximately 2.05 miles.

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



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

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

City Facts and Figures

San Mateo County Seat Established:	1856
Incorporated:	January 14, 1948
Land Area:	3.2 Square Miles
Elevation Low Point:	25 Feet
Elevation High Point:	800 Feet
Average Temperature Low:	42° January
Average Temperature High:	71° September
Population:	21,387
Population Density:	6,473 per square mile
Number of Households:	8,113 – Units (2000 Census)



City Government

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

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

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

City Elections

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

City Services

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

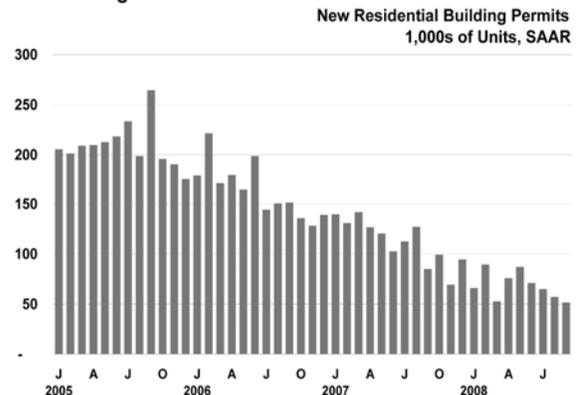
State Economy

September brought unwelcome news for the California economy. Despite an uptick in sales, new home construction plunged to its lowest level on record. Existing home prices took a substantial hit. Nonresidential construction also softened, to its weakest pace since early 2005. Industry employment declined for the seventh consecutive month, and the unemployment rate remained elevated.

- California dropped 11,600 nonfarm jobs in September, following a revised loss of 12,700 jobs in August. Job losses have accelerated as the year progressed. In the first five months of the year, the average monthly loss was 5,200 jobs, while in the last four months, it was 13,200 jobs.
- Five of the state's eleven major industry sectors gained jobs in September. Information added 2,300 jobs; educational and health services, 2,000; manufacturing, 1,400; leisure and hospitality, 1,400; and natural resources and mining, 100.
- Six sectors lost jobs: Trade, transportation, and utilities lost 6,300 jobs; construction, 4,000; government, 3,400; financial activities, 3,300; professional and business services, 1,000; and other services, 800. Retail trade—the biggest component of the trade, transportation, and utilities major industry sector—lost 3,500 jobs in September, its eighth consecutive monthly loss.
- Housing-related industries continued to place a drag on California labor markets. Nonfarm payroll employment fell by 77,200 jobs from September 2007 to September 2008. Over the year, employment fell by 76,700 in construction; 35,800 in trade, transportation, and utilities; 31,400 in financial activities; 25,200 in manufacturing; and 6,800 in information.

- Six sectors gained jobs: Employment rose 48,100 in educational and health services; 26,200 in government; 11,600 in professional and business services; 11,100 in leisure and hospitality; 1,100 in natural resources and mining; and 600 in other services.
- California's unemployment rate held steady at 7.7 percent in September, but this was up from 5.6 percent a year earlier. The national unemployment rate was 6.1 percent in September, also unchanged from August.
- Home building slowed for the fourth consecutive month in September. With residential permits issued at a seasonally adjusted annual rate of 51,700 units, September was the slowest month for construction permitting according to data that reaches back to 1973. New home permitting during the first nine months of 2008 was down 43 percent from the same months of 2007.
- Nonresidential construction slowed significantly for the second consecutive month in September. The pace of permit issuances during August and September was 25 percent below the same months of 2007. September was the weakest month of permitting since March 2005. The slowdown was led by major reductions in industrial and office construction. For the first nine months of 2008, nonresidential permitting was down 8.1 percent from the same months of 2007.
- Sales of existing homes continued to improve, but since it was boosted by sales of distressed houses, the median price took another significant tumble. Sales of existing, single-family detached homes totaled 502,190 units at a seasonally adjusted annualized rate. The inventory of homes available for sale improved slightly in September according to the California Association of Realtors. The median price of existing, single-family homes sold in September was \$316,480, down 9.6 percent from August and down 41 percent from a year earlier. Part of this decline is most likely due to a shift in the mix of sales from expensive to more moderately priced homes.

Home Building Slides to Historic Low

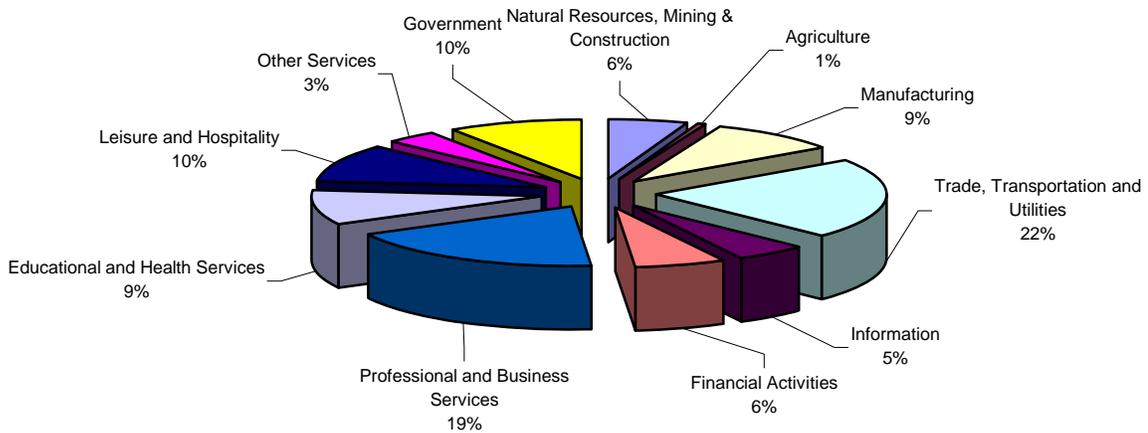


(Source: State of California Department of Finance)

San Mateo County Economy

The County of San Mateo (County) is one of the nine counties in the San Francisco Bay Area. The County is made up of twenty cities and towns, including Millbrae, and a large unincorporated area that includes La Honda, Pescadero, Montara, Moss Beach, El Granada, and Fair Oaks. The large mountainous part of the County and the San Francisco Airport location are also unincorporated areas. The County occupies 449 square miles on a peninsula bounded by San Francisco to the north, Santa Clara County to the south, San Francisco Bay to the east, and the Pacific Ocean to the west. Though sandwiched between two large urban areas, the County is a pleasant mix of suburban and rural areas. Most of the County's 733,496 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisects the County. The western part of the County remains primarily rural and has some of California's most beautiful coastline. Between January 1, 2006 and January 1, 2007, the County's population grew one percent, from 726,336 to 733,496, maintaining San Mateo's rank as the 14th most populous county in California. During the same period, California, as a whole, grew by an estimated 1.3 percent to 37.7 million.

**San Mateo County
Employment by Industry
2007 Average**



(Source: State of California Employment Development Department)

Labor Force: San Mateo County's labor force showed an increase of 6,500 in 2007 to 340,600. The largest sector was Trade, Transportation and Utilities with 75,100 employed, followed by Professional and Business Services with 63,400, Leisure and Hospitality with 35,000, Government with 32,600, and Educational and Health Services with 32,100 employed.

City of Millbrae

While global stock markets plunge, and Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation, and numerous retail chains are caught in a wave of bankruptcies, the City's financial status and budget outlook are continuously monitored.

The City faces significant fiscal challenges that include:

- As a participant in the San Mateo County Investment Pool, with investments in and the subsequent bankruptcy of Lehman Brothers, the City's portion of the cash loss as of Oct 1, 2008 is \$949,865.00. In addition, we have been notified that we will also have to share in the excess ERAF (Educational Revenue Augmentation Fund) investment loss with Lehman Brothers, and our portion is \$17,546, which will be reflected in a loss of revenue during fiscal year 2008-2009.
- Mervyn's, a major retailer, filed for Chapter 11 Bankruptcy protection on July 29, 2008 and their store located in the City of Millbrae will be closed December 31, 2008
- Fire Assessment Revenue of \$1,104 million received annually is scheduled to sunset in fiscal year 2008-2009
- Labor, health care and pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- During fiscal year 2008-2009 the State (Chapter 751, Statutes of 2008) requires a property tax revenue transfer from the Redevelopment Agency in the amount of \$247,461, to ERAF by May 10, 2009.

ATTACHMENT B

MAJOR INITIATIVES FOR THE YEAR

Energy Milestone

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

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

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

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

Redevelopment Agency

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

- The 88 South Broadway residential project has been completed and a majority of the units have been sold. The Agency provided low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency established equity sharing with the homebuyers, restricted resale prices, and has first right of refusal to repurchase the units. Homebricks, a division of BRIDGE Housing, administered the loan marketing and buyer selection.
- The Millbrae Paradise (formerly Belamor) condominium project is under construction with 143 residential units and 22,000 square feet of retail space. The Agency will consider executing option and regulatory documents for low and moderate income units similar to 88 South Broadway.
- The Park Broadway condominium project, 110 residential units including 11 live work lofts, is nearing completion. Option and regulatory documents have been executed.

- The Agency working with BRIDGE Housing has acquired the Dolores Lia residential property of 27 apartment units on El Camino Real. BRIDGE Housing will own, operate and convert the project to condominiums, for sale to low and moderate income homebuyers.
- The Agency has allowed the Exclusive Negotiating Rights Agreement with Fancher et al to lapse. Due to the current crisis within the Banking, Credit, and Equity Markets there are no immediate financing opportunities within sight. Fancher offered the Agency assignment of several purchase contracts. The Agency accepted the 100 El Camino Real property, and escrow closed in October of 2008. A Tenant Termination Agreement was negotiated with the existing tenant.
- 979 Broadway is fully completed and leased as a retail center. This adaptive reuse has been highly successful for both the City and the developer.
- Wilson Plaza and Friendship Plaza retail developments have been completed and are fully leased. Caffe Roma opened in Friendship Plaza, bringing a taste of North Beach to the City.
- The Agency has executed a Field License Agreement with the Millbrae School District for the long-term renovation and operation of the City's athletic fields. Renovation design is ready to commence in early 2009.

Wastewater Treatment Plant Renovation

The City's wastewater collection system and treatment plant is extensively being renovated, which started in 2006. New, up-to-date treatment technology that is more energy efficient and capable of meeting increasingly stringent Federal, State, and local clean water regulations will replace deteriorated and obsolete plant equipment and components. The total project budget is \$35 million. The City has applied and received approval from the California State Revolving Fund for a low interest state loan to finance the project.

- On May 29, 2008 the City issued Subordinate Wastewater Revenue Notes in the amount of \$3,965,000. A portion of those funds were utilized for the acquisition of an adjoining parcel required for the construction, and renovation of the Wastewater Treatment facilities.

New Website

The City of Millbrae developed and unveiled its dramatically transformed website. Over the past year, City staff has worked with the website design firm, Vision Internet, in building a contemporary site that will empower residents and businesses with information and services to help build a stronger connection between the community and local government. The new site is easier to use and navigate, is more functional, and will support our online web services including filing a police report or registering for recreation classes and activities.

Community Policing on Wheels

The Millbrae Police Department has implemented a police volunteer bicycle patrol program. Volunteers are required to take a class and practical training course and then are certified for bike patrol. The volunteers ride their bikes throughout the downtown, school areas, and the local parks in order to greet and get to know Millbrae residents and to act as an extra set of eyes and ears in the community. There are currently four police patrol bikes and plans to expand to six in the near future. To date, the volunteers have received a lot of positive comments from businesses and citizens alike.

ATTACHMENT C

FINANCIAL INFORMATION

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

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

Budget Process and Controls

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

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

Cash Management Policies and Practices

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

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, the majority of deposits are either insured by Federal Depository Insurance or collateralized. Nearly all investments held by the City at June 30, 2008, are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board (GASB).

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

1. Safety
2. Liquidity, and
3. Yield

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

Risk Management

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

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

ATTACHMENT D

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Millbrae for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2007. The Certificate of Achievement, is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Millbrae has received a Certificate of Achievement for fourteen (14) consecutive years. We believe this CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting this report for consideration to GFOA to determine eligibility for another certificate.

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

DIRECTORY OF CITY OFFICIALS

MAYOR

Gina Papan

MEMBERS OF THE CITY COUNCIL

Robert G. Gottschalk

Marge Colapietro

Paul Seto

Daniel F. Quigg

ELECTED OFFICER

Mary Vella Treseler

City Treasurer

COUNCIL APPOINTED OFFICERS

Ralph L. Jaeck

City Manager

Joan Cassman

City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Jeffrey W. Killian
Assistant City Manager

LaRae Brown
Finance Director

Deborah Konkol
City Clerk

Dennis Haag
Fire Chief

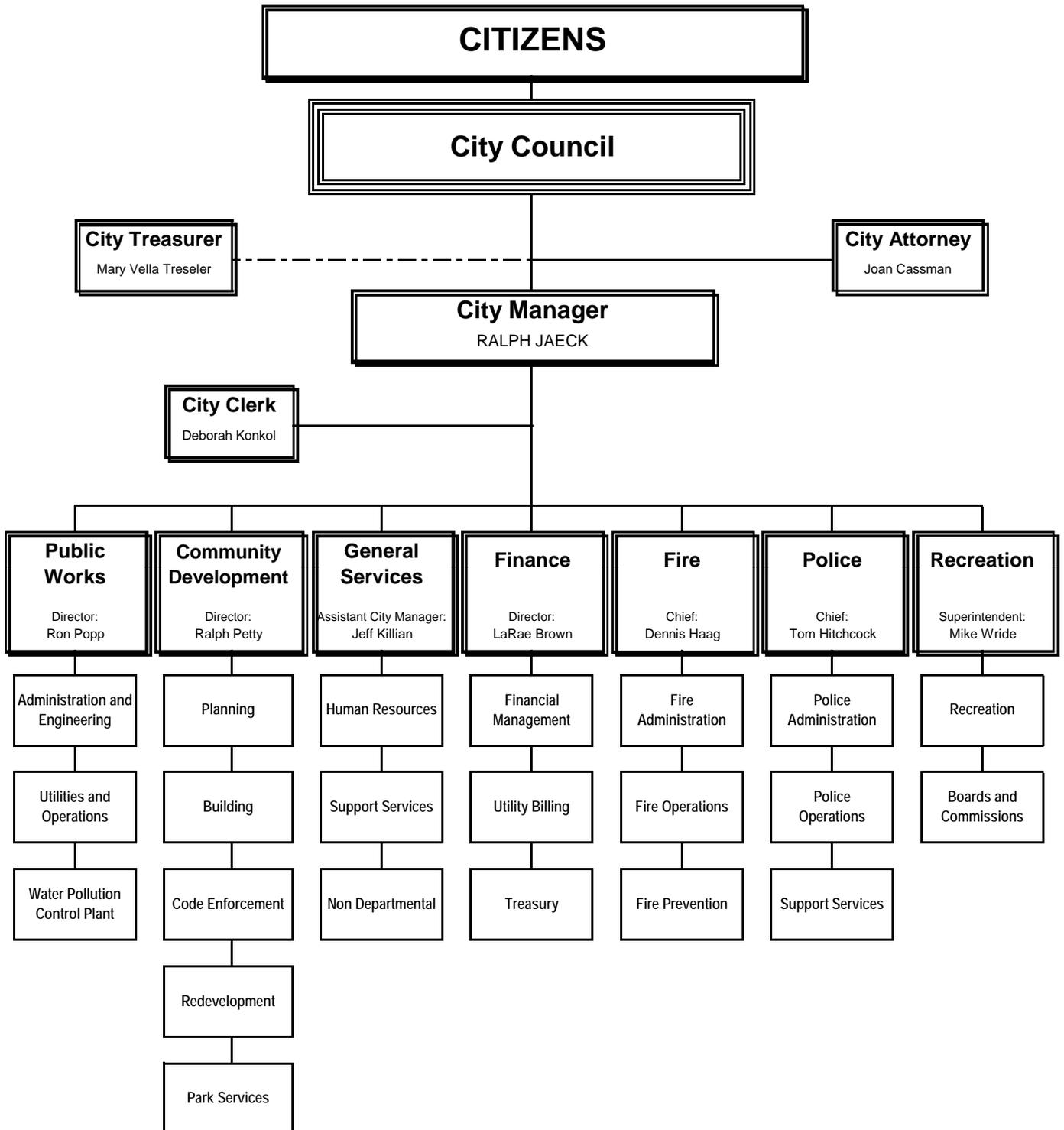
Tom Hitchcock
Police Chief

Ralph Petty
Community Development and Parks Director

Ron Popp
Public Works Director

Mike Wride
Recreation Superintendent

ORGANIZATION CHART





City of Millbrae

Our Values

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

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



City of Millbrae

Our Purposes

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

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

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

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

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

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

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

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

- ***Economic Prosperity:***

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

- ***Environmental Protection:***

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

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

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Millbrae
California

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

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



Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

To the City Council
City of Millbrae, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

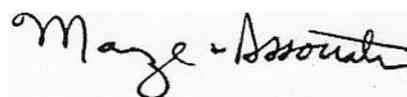
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae's at June 30, 2008 and the results of its operations and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008 on our consideration of the City of Millbrae's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



October 10, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's Financial Statements, the related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's cumulative Fund Balances decreased by \$2.46 million (-10.74%) to \$20.54 million compared to \$23.00 million for the prior Fiscal Year. The decrease is primarily attributed to: (1) The \$4.04 million capital investment given to Bridge Housing for the Dolores Lia Apartment Complex conversion; (2) The first payment submitted for the 2004 Pension Obligation Bonds of \$740 thousand; and (3) The \$655 thousand in capital outlay expenses for the reroofing of several City buildings, and the installation of the vehicle exhaust system for the Fire Department.
- The City's total assets exceed its total liabilities by \$74 million as of June 30, 2008, compared to \$72 million at June 30, 2007. This represents a 2.78% increase.
- On May 29, 2008 the City issued Subordinate Wastewater Revenue Notes in the amount of \$3,965,000. A portion of those funds were utilized for the acquisition of an adjoining parcel required for the construction, and renovation of the Wastewater Treatment facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Millbrae Comprehensive Annual Financial Report (CAFR)

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

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

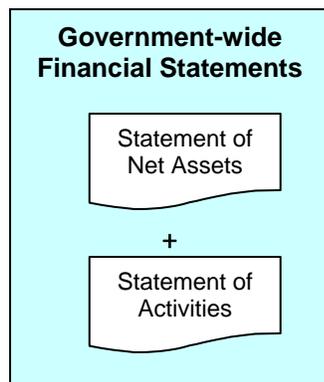
The Fund Financial Statements report the City's operations in detail and the focus is primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term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

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

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

Government-wide Financial Statements

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



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

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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Enterprise Funds

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

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

Internal Service Funds

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

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

Notes to the Basic Financial Statements

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

Required Supplemental Information

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

Other Information

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

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

As noted earlier, Net Assets may serve over time as a useful indicator of the Government's financial position. As shown in the table below, the City's assets exceeded liabilities by \$74.0 million as of June 30, 2008 compared to \$72.0 million at June 30, 2007. This represents a 2.78% increase.

NET ASSETS

June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current and other Assets	38,310,141	37,375,759	9,285,125	5,258,381	47,595,266	42,634,140
Capital Assets	63,486,533	64,032,813	17,933,311	16,424,484	81,419,844	80,457,297
TOTAL ASSETS	101,796,674	101,408,572	27,218,436	21,682,865	129,015,110	123,091,437
LIABILITIES						
Long-Term Liabilities Outstanding	37,653,211	37,463,940	9,793,027	6,046,265	47,446,238	43,510,205
Other Liabilities	6,354,889	6,299,599	1,190,215	1,261,698	7,545,104	7,561,297
TOTAL LIABILITIES	44,008,100	43,763,539	10,983,242	7,307,963	54,991,342	51,071,502
NET ASSETS						
Investment in Capital Assets net of related Debt	49,324,811	49,627,971	12,105,284	10,378,219	61,430,095	60,006,190
Restricted Net Assets:						
Capital Projects	36,516	90,340			36,516	90,340
Debt Service	4,770,387	3,797,193			4,770,387	3,797,193
Redevelopment	6,142,776	9,559,325			6,142,776	9,559,325
Special Revenue	6,688,104	5,254,108			6,688,104	5,254,108
Unrestricted	(9,174,020)	(10,683,904)	4,129,910	3,996,683	(5,044,110)	(6,687,221)
TOTAL NET ASSETS	57,788,574	57,645,033	16,235,194	14,374,902	74,023,768	72,019,935

The largest portion of the City's net assets reflects its \$61.4 million (82.9%) investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt used to acquire those assets. This percentage is substantially the same as in the prior year. The City utilizes capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

Restricted Net Assets of \$17.6 million (23.8%) represents resources that are subject to external restrictions as to how they may be utilized. The Unrestricted Net Assets deficit of \$9.17 million in Governmental Activities is primarily attributed to long-term debt, thereby not requiring liquidation of current assets. At the end of the Fiscal Year 2007-2008, the City had positive balances in all three categories of Net Assets, both for the Government as a whole, as well as for its separate Governmental and Business-type Activities.

CHANGE IN NET ASSETS

June 30, 2008

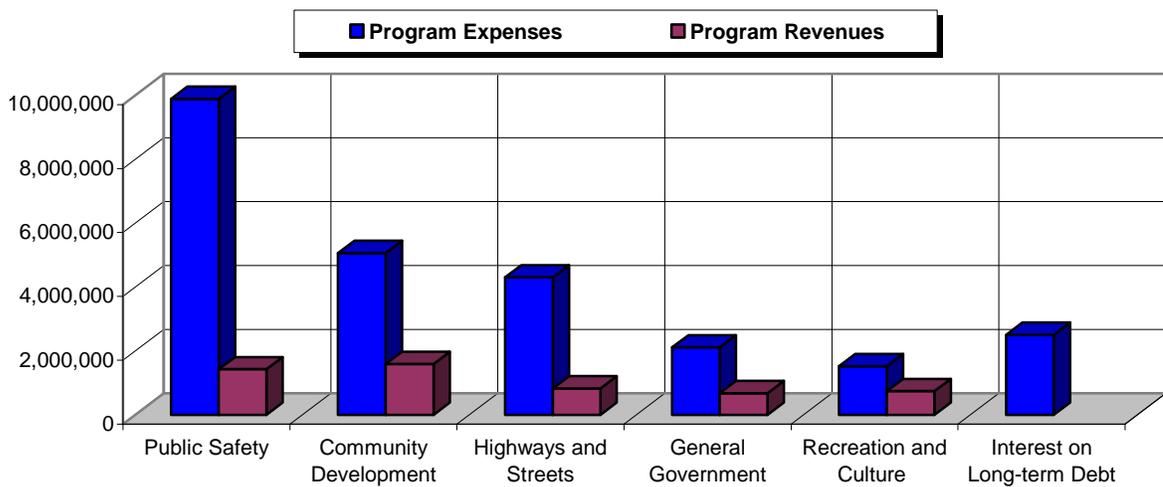
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program Revenue:						
Charges for Service	4,118,475	4,972,328			4,118,475	4,972,328
Operating Contributions and Grants	1,150,168	1,822,162			1,150,168	1,822,162
Municipal Water System			4,905,912	4,395,658	4,905,912	4,395,658
Waste Water Treatment			5,834,414	4,985,085	5,834,414	4,985,085
Storm Drain			226,560	226,770	226,560	226,770
General Revenue:						
Property Taxes	7,291,836	6,993,227			7,291,836	6,993,227
Incremental Property Tax	4,627,537	3,751,214			4,627,537	3,751,214
Sales Tax	2,177,427	2,374,919			2,177,427	2,374,919
Transient Occupancy Tax	3,269,459	2,929,434			3,269,459	2,929,434
Franchise Tax	702,124				702,124	
Other Taxes	770,534	1,363,757			770,534	1,363,757
Motor Vehicle In-Lieu	93,080	129,643			93,080	129,643
Investment Earnings	1,044,544	1,237,376	224,000	222,116	1,268,544	1,459,492
Miscellaneous	675,424	406,721	80,326	286,896	755,750	693,617
Contribution				350,083		350,083
Disposal of Capital Assets		13,286		4,966		18,252
TOTAL REVENUES	25,920,608	25,994,067	11,271,212	10,471,574	37,191,820	36,465,641
EXPENSES						
General Government	2,116,426	1,885,380			2,116,426	1,885,380
Public Safety	9,886,957	6,395,896			9,886,957	6,395,896
Highway and Streets	4,302,593	5,561,148			4,302,593	5,561,148
Recreation & Culture	1,524,120	1,462,893			1,524,120	1,462,893
Community Development	5,063,792	5,265,130			5,063,792	5,265,130
Interest on Long-Term Debt	2,511,595	2,034,490			2,511,595	2,034,490
Municipal Water System			4,167,081	3,836,203	4,167,081	3,836,203
Waste Water Treatment			5,163,835	5,174,894	5,163,835	5,174,894
Storm Drain			451,588	435,917	451,588	435,917
TOTAL EXPENSES	25,405,483	22,604,937	9,782,504	9,447,014	35,187,987	32,051,951
Excess Before Transfers	515,125	3,389,130	1,488,708	1,024,560	2,003,833	4,413,690
Transfers	(371,584)	42,757	371,584	(42,757)		
CHANGE IN NET ASSETS	143,541	3,431,887	1,860,292	981,803	2,003,833	4,413,690
Net Assets at Beginning of Year	57,645,033	14,314,324	14,374,902	16,083,399	72,019,935	30,397,723
GASB 34 Implementation		39,898,822		(2,690,300)		37,208,522
NET ASSETS AT YEAR END	57,788,574	57,645,033	16,235,194	14,374,902	74,023,768	72,019,935

Analysis of the Changes in Net Assets

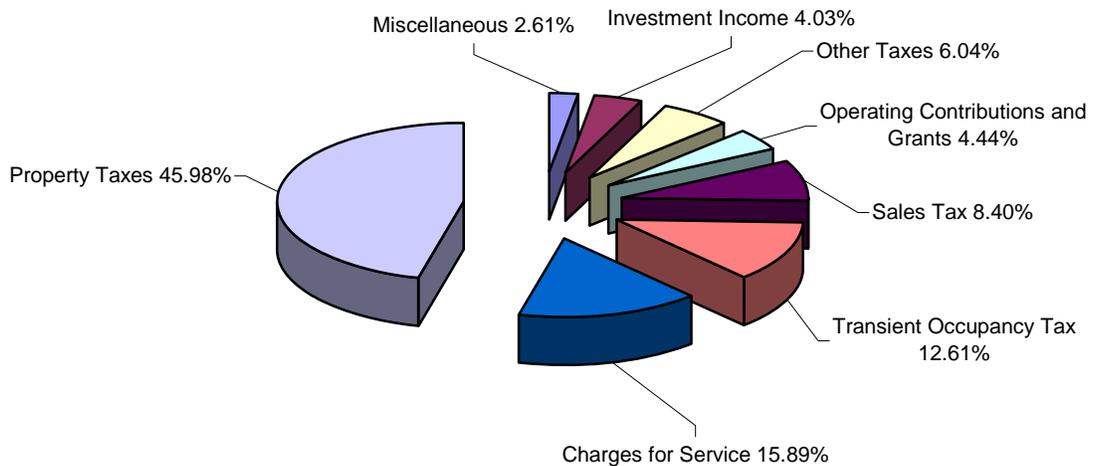
As shown in the table above the City’s overall Change in Net Assets was \$2.00 million for fiscal year 2007-2008. The Net Assets at year end for Governmental Activities of \$57.79 million represents a 0.25% increase over the prior year total of \$57.65 million. The City’s Business-type Activities year end total of \$16.24 million represents a 12.94% increase over the prior year end total of \$14.37 million.

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

**Governmental Activities
PROGRAM EXPENSES AND PROGRAM REVENUES**



**Governmental Activities
REVENUES BY SOURCE**

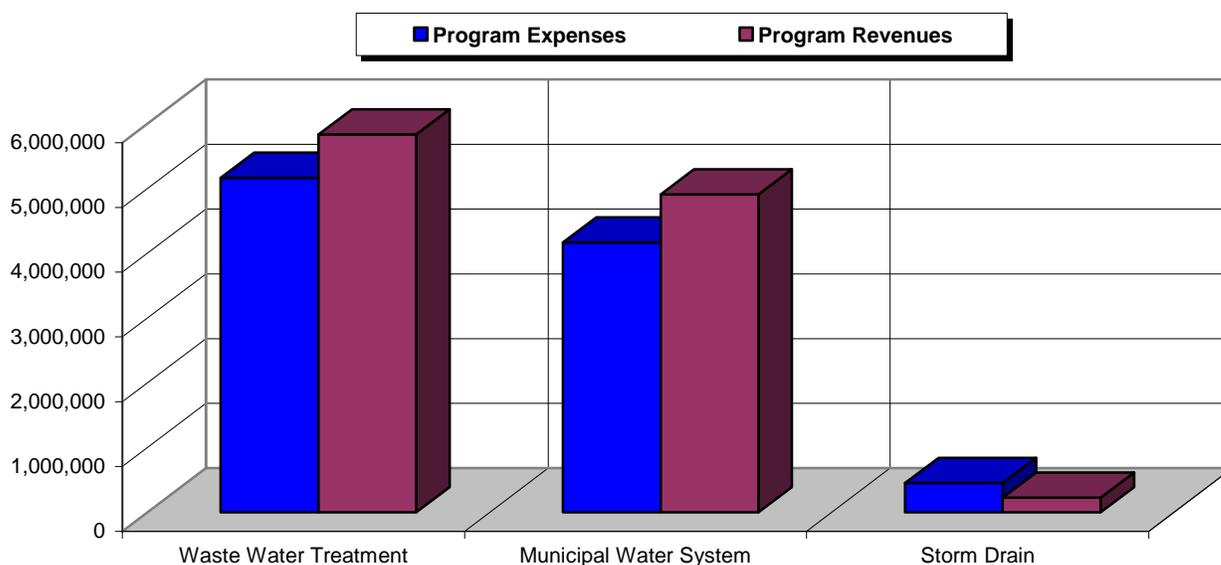


Governmental Activities increased the City's total Net Assets by \$143 thousand to \$57.79 million during fiscal year 2007-2008, compared to the increase of \$3.34 million during fiscal year 2006-2007. Key factors contributing to the variance from the prior year are as follows:

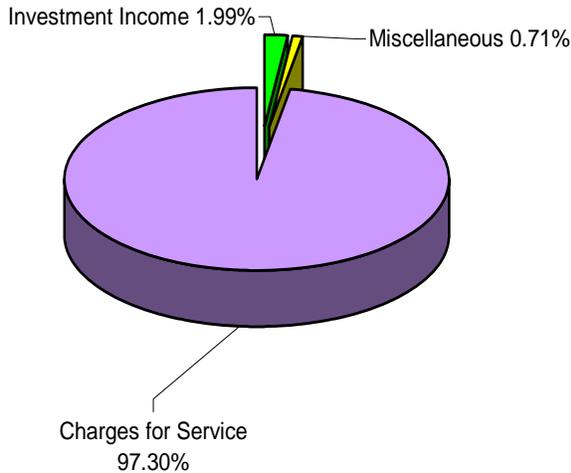
- Overall, Governmental Activities revenue decreased by approximately \$73.5 thousand, and expenses increased by \$2.80 million. This resulted in a net asset increase of \$515 thousand before transfers at the end of fiscal year 2007-2008
- Property Tax revenue increased \$1.17 million (10.94%) during this fiscal year as a result of increases in property valuations
- Transient Occupancy Tax increased \$340 thousand (11.61%) although Sales Tax saw a decreased of \$197 thousand (-8.32%) during this fiscal year
- Investment Earnings were down by \$193 thousand (-15.58%) and Charges for Services also saw a decreased of \$854 thousand (-17.17%)
- Public Safety expenses increased \$3.5 million, which reflects increases to Salary Contracts, Overtime, Red Light Camera contract, and the lease payment for both the Fire Apparatus and Police Vehicles

The charts shown previously illustrate the City's Governmental Expenses and Revenues by Program, and Revenues by Source. As shown, Public Safety has the largest program expenses at thirty nine percent (38.92%), followed Community Development at twenty percent (19.93%), Highways and Streets with seventeen percent (16.94%), General Government at eight percent (8.33%) and Culture and Recreation with six percent (6.00%). General Revenues such as property tax, business tax, and sales tax are not shown by Program, but are used to support program activities citywide. For Governmental Activities, Property Taxes were the largest single source of funds (45.98%) followed by Other Taxes (27.05%) (Transient Occupancy 12.61%; Sales Tax 8.40%; and Other Taxes 6.04%), in fiscal year 2007-2008.

Business-type Activities
PROGRAM EXPENSES AND PROGRAM REVENUES



**Business-type Activities
REVENUES BY SOURCE**



Business-type Activities increased the City's total Net Assets by \$1.86 million to \$ 16.24 million during fiscal year 2007-2008, compared to the increase of \$982 thousand during fiscal year 2006-2007. Key factors contributing to the increase from the prior year are as follows:

- Overall, Business-type Activities revenue increased by approximately \$800 thousand, and expenses increased by \$335 thousand. This resulted in a net asset increase of \$1.49 million before transfers at the end of fiscal year 2007-2008
- Waste Water Treatment revenue increased \$849 thousand (17.04%) as a result of an increase in rates and ongoing active delinquent collections. Expenses within the Waste Water Treatment decreased by \$11 thousand (-0.21%) during this fiscal year
- Municipal Water System revenue increased by approximately \$510 thousand (11.61%) as a result of an increase in rates and ongoing active delinquent collections. Expenses within the Municipal Water System increased by \$330 thousand (8.63%) during this fiscal year
- Storm Drain revenues were down by \$210 dollars (0.09%) and expenses increased by \$16 thousand (3.59%) during this fiscal year

The charts shown previously illustrate the City's Business-type Activities Expenses and Revenues by Program, and Revenues by Source. As shown, Waste Water Treatment has the largest program expenses at fifty three percent (52.79%), followed by the Municipal Water System at forty three percent (42.60%), and Storm Drain with five percent (4.62%). General Revenues such as Investment Earnings, and Miscellaneous Revenue are not shown by Program, but are used to support Business-type activities. For Business-type Activities, Investment Earnings were \$224 thousand (1.99%) and Miscellaneous Revenue was \$80 thousand (0.71%) in fiscal year 2007-2008.

GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

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

Governmental Funds

The focus of the City's Governmental Fund Statements is to provide information on near-term inflows, outflows, and balances of resources that are available. This type of information is useful in assessing the City's financing requirements. In particular, Unreserved Fund Balance may service 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 2007-2008 the City's Governmental Funds reported a combined ending Fund Balance of \$20.5 million, a decrease of \$2.46 million (-10.70%) over the prior year end balance of \$23.0 million.

Comparative Analysis of Changes in Governmental Fund Balances

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds at fiscal year end 2008 and the previous fiscal year end, 2007.

Governmental Funds COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE June 30, 2008

	<u>Revenues and Other Financing Sources</u>		<u>Expenditures and Other Financing Uses</u>		<u>Net Change in Fund Balances</u>	
	2008	2007	2008	2007	2008	2007
General Fund	16,812,171	16,515,846	18,607,641	14,524,329	(1,795,470)	1,991,517
Redevelopment Agency Special Revenue	1,027,452	868,897	2,442,826	213,437	(1,415,374)	655,460
Millbrae Station Area	442,902	2,112,125	544,968	113,950	(102,066)	1,998,175
Redevelopment Agency Debt Service	4,045,803	3,322,307	3,135,140	2,597,727	910,663	724,580
Redevelopment Agency Capital Project	1,228,270	846,211	3,229,445	834,302	(2,001,175)	11,909
Other Governmental Funds	6,026,700	4,664,584	4,084,978	5,681,336	1,941,722	(1,016,752)
TOTAL	29,583,298	28,329,970	32,044,998	23,965,081	(2,461,700)	4,364,889

The General Fund had an ending Fund Balance of \$2.90 million, a decrease of \$1.80 million over the prior year end balance of \$4.70 million. The Redevelopment Agency Special Revenue Fund had an ending Fund Balance of \$1.88 million, a decrease of \$1.42 million over the prior year end balance of \$3.29 million. The Millbrae Station Area had an ending Fund Balance of \$2.35 million, a decrease of \$102 thousand over the prior year end balance of \$2.45 million. The Redevelopment Agency Debt Service Fund had an ending Fund Balance of \$3.73 million, an increase of \$911 thousand over the prior year end balance of \$2.82 million. The Redevelopment Agency Capital Project Fund had an ending Fund Balance of \$4.26 million, a decrease of \$2.00 million over the prior year end balance of \$6.27 million. Other Governmental Funds has a combined ending Fund Balance of \$5.42 million, an increase of \$1.94 million over the prior year end balance of \$3.47 million.

The increase in expenditures in the Redevelopment Agency reflects the \$4.04 million capital investment loan given to Bridge Housing for the Dolores Lia twenty seven (27) Unit Apartment Complex. Bridge Housing will renovate and convert the units to condominiums for sale to low and moderate income homebuyers. Additional information regarding the Dolores Lia property can be found in Note 5 of this report

The table below provides a comparison of the General Fund Revenues and Expenditures for fiscal year 2007-2008 versus fiscal year 2006–2007.

Comparative Analysis of Changes in the General Fund Balance

The General Fund is the chief operating fund of the City and the following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund balance at fiscal year end 2008 and the previous fiscal year end, 2007.

GENERAL FUND REVENUE AND EXPENDITURES COMPARISON June 30, 2008

	General Fund		Dollar Variance	Percentage Variance
	2008	2007		
REVENUES				
Property Taxes	6,664,306	6,321,695	342,611	5.42%
Sales Tax	2,177,427	2,374,919	(197,492)	-8.32%
Transient Occupancy Tax	3,269,459	2,929,434	340,025	11.61%
Franchise Taxes	702,124	659,934	42,190	6.39%
Other Taxes	681,673	703,823	(22,150)	-3.15%
Licenses and Permits	468,691	533,920	(65,229)	-12.22%
Charges for Service	1,169,376	830,650	338,726	40.78%
Fines and Forfeitures	576,367	455,340	121,027	26.58%
Use of Money and Property	544,102	612,499	(68,397)	-11.17%
Grants and Intergovernmental	125,546	229,927	(104,381)	-45.40%
Miscellaneous	51,208	190,733	(139,525)	-73.15%
TOTAL REVENUES	16,430,279	15,842,874	587,405	3.71%
EXPENDITURES				
General Government	1,846,271	1,731,518	114,753	6.63%
Public Safety	9,714,103	8,627,661	1,086,442	12.59%
Highway and Streets	1,387,702	1,158,679	229,023	19.77%
Culture and Recreation	10,731	21,961	(11,230)	-51.14%
Community Development	1,931,908	1,737,144	194,764	11.21%
Capital Outlay	786,783	132,172	654,611	495.27%
Debt Service:				
Principal	787,426	139,928	647,498	462.74%
Interest and Fiscal Charges	12,360	28,627	(16,267)	-56.82%
TOTAL EXPENDITURES	16,477,284	13,577,690	2,899,594	21.36%
OTHER FINANCING SOURCES (USES)				
Transfers In	381,892	672,972	(291,080)	-43.25%
Transfers Out	(2,130,357)	(946,639)	(1,183,718)	125.04%
TOTAL OTHER FINANCING SOURCES (USES)	(1,748,465)	(273,667)	(1,474,798)	81.79%
NET CHANGE / FUND BALANCE	(1,795,470)	1,991,517	(3,786,987)	64.14%
BEGINNING FUND BALANCE	4,696,259	2,704,742		
ENDING FUND BALANCE	2,900,789	4,696,259		

As shown on the table above the General Fund had an ending Fund Balance of \$2.90 million, a decrease of \$1.80 million over the prior year ending balance of \$4.70 million. This decrease represents a moderate \$587 thousand (3.71%) growth in total General Fund revenue, coupled with a \$2.9 million increase (21.36%) in total General Fund expenditures. The increase in capital outlay reflects the reroofing of several city buildings and the installation of the vehicle exhaust system for the fire department. The increase for Principle on Debt Service reflects the first payment submitted for the 2004 Pension Obligation Bonds of \$740 thousand.

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

GENERAL FUND EXPENDITURES FUND BALANCE COMPARISON

	2008	2007
Expenditures	18,607,641	14,524,329
Total Fund Balance	2,900,789	4,696,259
PERCENTAGE	15.59%	32.33%
Expenditures	18,607,641	14,524,329
Unreserved / Designated Fund Balance	1,684,476	2,982,238
PERCENTAGE	9.05%	20.53%

At June 30, 2008, the General Fund had a reserve balance of \$1.22 million for encumbrances and advances to other funds, a decrease of \$498 thousand (-29.04%) over the prior year reserve balance of \$1.71 million.

Proprietary Funds

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

The following table shows actual revenues, expenses and results of operations for the fiscal year 2007-2008.

PROPRIETARY FUNDS

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Capital Contribution	Transfers In (Out)	Change in Net Assets
Municipal Water System	4,910,676	4,162,081	748,595	93,424		275	842,294
Waste Water Treatment	5,887,583	4,737,821	1,149,762	(295,200)		379	854,941
Storm Drains	248,953	454,634	(205,681)	(1,644)		370,930	163,605
Internal Service Funds	1,711,840	1,797,958	(86,118)	38,222	172,590	106,163	230,857
TOTALS	12,759,052	11,152,494	1,606,558	(165,198)	172,590	477,747	2,091,697

At the end of fiscal year 2007-2008, total net assets for the Municipal Water System were \$10.30 million, an increase of \$842 thousand (8.90%); Waste Water Treatment total net assets were \$5.53 million, an increase of \$855 thousand (18.27%); Storm Drains total net assets were \$473 thousand, an increase of \$163 thousand (52.96%); and the Internal Service Funds total net assets were \$1.04 million an increase of \$231 thousand (19.68%).

GENERAL FUND BUDGETARY REVENUE HIGHLIGHTS

The variance between the final amended total General Fund Revenue budget and the actual results, was an increase of \$1.63 million. This represents the following:

- Property Tax revenue saw an increase of \$619 thousand during this fiscal year as a result of increases in property valuations
- Sales Tax revenue decreased by \$217 thousand
- Transient Occupancy Tax revenue increased by \$398 thousand
- Franchise Tax revenue increased by \$90 thousand
- Licenses and Permits revenue increased by \$54 thousand
- Charges for Services revenue increased by \$446 thousand
- Fines and Forfeitures revenue increase by \$222 thousand
- Use of Money and Property increase by \$114 thousand
- Grants and Intergovernmental revenue decreased by \$92 thousand

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

June 30, 2008

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	14,885,484	14,885,484	1,500,500	0	16,385,984	14,885,484
Land Improvements	301,943	329,175	181,672	117,410	483,615	446,585
Building and Improvements	16,968,784	17,301,422	3,005,787	3,111,498	19,974,571	20,412,920
Furniture, Fixtures and Equipment	2,475,181	2,194,997	8,403,688	8,419,012	10,878,869	10,614,009
Automobiles and Trucks	1,245,383	457,282	4,718	7,767	1,250,101	465,049
Infrastructure	27,609,758	28,864,453	4,836,946	4,768,797	32,446,704	33,633,250
TOTAL	63,486,533	64,032,813	17,933,311	16,424,484	81,419,844	80,457,297

The investment in capital assets for both the Governmental and Business-type Activities as of June 30, 2008, increased by \$963 thousand (1.20%) to \$81.4 Million (net of accumulated depreciation). The increase in Automobiles and Trucks, reflects the new Fire Apparatus and seven new Police Vehicles. As previous noted, Waste Water Treatment acquired an adjoining parcel for the planned renovation and modernization of the City's wastewater treatment facilities and the purchase (\$1,500,500) is reflected in the Business-type Activities.

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

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

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

Debt Administration

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

The following table summarizes the outstanding long-term debt at June 30, 2008.

LONG-TERM LIABILITIES						
June 30, 2008						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
1999 Certificates of Participation: Police Expansion	3,270,000	3,400,000			3,270,000	3,400,000
2001 General Obligation Bonds: Public Library	10,415,000	10,475,000			10,415,000	10,475,000
2001 Natural Disaster Loan	600,000	800,000			600,000	800,000
2004 Pension Obligation Bonds	14,521,489	13,688,604			14,521,489	13,688,604
2005 Tax Allocation Bonds: Redevelopment	8,370,000	8,465,000			8,370,000	8,465,000
2005 Bank Loan: Cogeneration Project			5,828,027	6,046,265	5,828,027	6,046,265
2006 Lease Purchase: Phone System	146,622	194,019			146,622	194,019
2007 Lease Purchase: Fire Apparatus	257,873	335,823			257,873	335,823
2007 Lease Purchase: Police Vehicles	72,227	105,494			72,227	105,494
2008 Subordinate Wastewater Revenue Notes			3,965,000		3,965,000	
TOTAL	37,653,211	37,463,940	9,793,027	6,046,265	47,446,238	43,510,205

As of June 30, 2008, Governmental Activities outstanding long-term debt was \$37,653,211 and Business-type Activities had \$9,793,027 of long-term debt, for combined total of \$47,446,238. During the year \$1,603,530 long-term debt was retired, while \$5,539,562 was added, resulting in a net increase of \$3,936,033 (9.05%).

Summary of new Long-term Liabilities

- On May 29, 2008 the City received funds from the sale of Subordinate Wastewater Revenue Notes in the amount of \$3,965,000. The funds were utilized for the acquisition of an adjoining parcel, and construction, and improvements to the Wastewater Treatment facilities.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- As a participant in the San Mateo County Investment Pool, with investments in and the subsequent bankruptcy of Lehman Brothers, the City's portion of the cash loss as of Oct 1, 2008 is \$949,865.00. In addition, we have been notified that we will also have to share in the excess ERAF (Educational Revenue Augmentation Fund) investment loss with Lehman Brothers, and our portion is \$17,546, which will be reflected in a loss of revenue during fiscal year 2008-2009.
- Mervyn's, a major retailer, filed for Chapter 11 Bankruptcy protection on July 29, 2008 and their store located in the City of Millbrae will be closed December 31, 2008
- Fire Assessment Revenue of \$1,104 million received annually is schedule to sunset in fiscal year 2008-2009
- Labor, health care and pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- During fiscal year 2008-2009 the State (Chapter 751, Statutes of 2008) requires a property tax revenue transfer from the Redevelopment Agency in the amount of \$247,461, to ERAF by May 10, 2009.

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

REQUESTS FOR INFORMATION

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

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

CITY OF MILLBRAE

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

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

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

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

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

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

CITY OF MILLBRAE
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments available for operations (Note 3)	\$17,563,259	\$7,584,234	\$25,147,493
Cash with fiscal agent (Note 3)	3,692,157	240,208	3,932,365
Receivables:			
Taxes	577,924		577,924
Accounts - net	386,279	2,571,977	2,958,256
Accrued interest	177,615		177,615
Due from other governmental agencies	921,565	18,602	940,167
Loans (Note 5)	4,710,706		4,710,706
Internal balances (Note 4D)	1,129,896	(1,129,896)	
Prepaid pension obligations (Note 7C)	9,150,740		9,150,740
Capital assets (Note 6):			
Non-depreciable capital assets	14,885,484	1,500,500	16,385,984
Depreciable capital assets, net	48,601,049	16,432,811	65,033,860
Total Assets	101,796,674	27,218,436	129,015,110
LIABILITIES			
Accounts payable and accrued payroll	980,588	421,081	1,401,669
Interest payable	427,395	54,200	481,595
Deposits	2,017,380	284,593	2,301,973
Unearned revenue	349,374		349,374
Compensated absences (Note 1G):			
Due within one year	153,046		153,046
Due in more than one year	1,813,321	430,341	2,243,662
Noncurrent portion of accrued self-insurance (Note 10)	613,785		613,785
Long-term debt (Note 7):			
Portion due within one year	1,241,558	230,486	1,472,044
Portion due in more than one year	36,411,653	9,562,541	45,974,194
Total Liabilities	44,008,100	10,983,242	54,991,342
NET ASSETS (Note 8)			
Invested in capital assets, net of related debt	48,994,711	12,105,284	61,099,995
Restricted for:			
Capital projects	36,516		36,516
Debt service	4,770,387		4,770,387
Redevelopment	6,142,776		6,142,776
Special revenue programs	6,688,104		6,688,104
Total Restricted Net Assets	17,637,783		17,637,783
Unrestricted	(8,843,920)	4,129,910	(4,714,010)
Total Net Assets	\$57,788,574	\$16,235,194	\$74,023,768

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:						
General government	\$2,116,426	\$679,620		(\$1,436,806)		(\$1,436,806)
Public safety	9,959,279	1,298,007	\$131,517	(8,529,755)		(8,529,755)
Highways and streets	4,302,593	353,544	470,217	(3,478,832)		(3,478,832)
Culture and recreation	1,524,120	694,702	47,512	(781,906)		(781,906)
Community development	5,063,792	1,092,602	500,922	(3,470,268)		(3,470,268)
Interest on long-term debt	2,512,672			(2,512,672)		(2,512,672)
Total Governmental Activities	25,478,882	4,118,475	1,150,168	(20,210,239)		(20,210,239)
Business-type Activities:						
Municipal water system	4,167,081	4,905,912			\$738,831	738,831
Municipal waste water treatment facility	5,163,835	5,834,414			670,579	670,579
Storm drain	451,588	226,560			(225,028)	(225,028)
Total Business-type Activities	9,782,504	10,966,886			1,184,382	1,184,382
Total	\$35,261,386	\$15,085,361	\$1,150,168	(20,210,239)	1,184,382	(19,025,857)
General revenues:						
Taxes:						
Property taxes				7,291,836		7,291,836
Incremental property tax				4,627,537		4,627,537
Sales taxes				2,177,427		2,177,427
Transient occupancy tax				3,269,459		3,269,459
Franchise tax				702,124		702,124
Other taxes				770,534		770,534
Motor vehicle in-lieu, unrestricted				93,080		93,080
Investment earnings				1,044,544	224,000	1,268,544
Miscellaneous				676,501	80,326	756,827
Transfers (Note 4C)				(299,262)	371,584	72,322
Total general revenues and transfers				20,353,780	675,910	21,029,690
Change in Net Assets				143,541	1,860,292	2,003,833
Net Assets-Beginning				57,645,033	14,374,902	72,019,935
Net Assets-Ending				\$57,788,574	\$16,235,194	\$74,023,768

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

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

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2008. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND

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

MILLBRAE STATION AREA DEVELOPER FEE – OPERATING SPECIAL REVENUE FUND

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

REDEVELOPMENT AGENCY DEBT SERVICE FUND

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

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

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

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
ASSETS				
Cash and investments (Note 3)	\$1,940,442	\$1,233,339	\$2,092,061	\$4,861,805
Cash with fiscal agent (Note 3)	17,601		1,268,394	556,693
Receivables:				
Taxes	539,944			
Accounts - net	54,898			
Accrued interest	177,615			
Due from other funds (Note 4A)	357,738			
Due from other governmental agencies	230,962			
Loans (Note 5)		2,710,706		
Advances to other funds (Note 4B)	1,040,100			
Prepaid items				
Total Assets	<u>\$4,359,300</u>	<u>\$3,944,045</u>	<u>\$3,360,455</u>	<u>\$5,418,498</u>
LIABILITIES				
Accounts payable and accrued payroll	\$786,194	\$2,909	\$546	
Due to other funds (Note 4A)				
Deposits	458,356		1,008,837	
Deferred revenue		2,063,106		
Unearned revenue	213,961			
Advances from other funds (Note 4B)				\$1,690,100
Total Liabilities	<u>1,458,511</u>	<u>2,066,015</u>	<u>1,009,383</u>	<u>1,690,100</u>
FUND BALANCES				
Fund balance (Note 8)				
Reserved for:				
Encumbrances	176,213	2,160	17,037	
Debt service				3,728,398
Capital outlay		1,228,270		
Advances, prepaids and loans receivable	1,040,100	647,600		
Unreserved:				
Designated				
General Fund prior year operating budget carryovers				
Special Revenue Funds prior year operating budget carryovers				
Capital Projects Funds prior year operating budget carryovers				
Fire apparatus				
PERS health insurance	1,532,462			
Operating contingency	152,014			
Undesignated, Reported in:				
Special Revenue Funds			2,334,035	
Capital Projects Funds				
Total Fund Balances	<u>2,900,789</u>	<u>1,878,030</u>	<u>2,351,072</u>	<u>3,728,398</u>
Total Liabilities and Fund Balances	<u>\$4,359,300</u>	<u>\$3,944,045</u>	<u>\$3,360,455</u>	<u>\$5,418,498</u>

See accompanying notes to financial statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$2,837,857	\$3,405,826	\$16,371,330
	1,849,469	3,692,157
	37,980	577,924
12,375	317,809	385,082
		177,615
1,456,904		1,814,642
	690,603	921,565
2,000,000		4,710,706
		1,040,100
<u>\$6,307,136</u>	<u>\$6,301,687</u>	<u>\$29,691,121</u>
\$42,390	\$89,239	\$921,278
	111,311	111,311
	550,187	2,017,380
2,000,000		4,063,106
	135,413	349,374
		1,690,100
<u>2,042,390</u>	<u>886,150</u>	<u>9,152,549</u>
15,236	381,184	591,830
	1,041,989	4,770,387
4,117,900	36,516	5,382,686
		1,687,700
		1,532,462
		152,014
	3,077,061	5,411,096
131,610	878,787	1,010,397
<u>4,264,746</u>	<u>5,415,537</u>	<u>20,538,572</u>
<u>\$6,307,136</u>	<u>\$6,301,687</u>	<u>\$29,691,121</u>

CITY OF MILLBRAE
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances reported on the Governmental Funds Balance Sheet \$20,538,572

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds 62,256,630

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

Cash and investments	1,191,929
Accounts receivable	1,197
Internal balances	76,565
Capital assets	1,229,903
Accounts payable	(59,310)
Interest payable	(1,348)
Compensated absences	(14,726)
Accrued self-insurance	(613,785)
Long-term debt	(330,100)

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. 4,063,106

LONG-TERM ASSETS AND LIABILITIES

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

Prepaid pension obligation	9,150,740
Long-term debt	(37,323,111)
Compensated absences	(1,951,641)
Interest payable	(426,047)
	(426,047)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$57,788,574

See accompanying notes to financial statements

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2008

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
REVENUES				
Property tax	\$6,664,306	\$921,486		\$3,685,941
Sales tax	2,177,427			
Transient occupancy tax	3,269,459			
Franchise tax	702,124			
Other taxes	681,673			
Licenses and permits	468,691		\$50,273	
Charges for services	1,169,376		306,717	
Fines and forfeitures	576,367		15,828	
Use of money and property	544,102	105,423	48,924	244,434
Grants and intergovernmental	125,546			
Miscellaneous	51,208	543	303	
Total Revenues	16,430,279	1,027,452	422,045	3,930,375
EXPENDITURES				
Current:				
General government	1,846,271			
Public safety	9,714,103			
Highways and streets	1,387,702			
Culture and recreation	10,731			
Community development	1,931,908	163,049	107,796	
Payments to property tax pass-throughs		124,102		1,542,560
Capital outlay	786,783	2,039,847		
Debt service:				
Principal	787,426		77,950	95,000
Interest and fiscal charges	12,360	400	16,690	465,337
Total Expenditures	16,477,284	2,327,398	202,436	2,102,897
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(47,005)	(1,299,946)	219,609	1,827,478
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt (Note 7)	25,000			
Transfers in (Note 4C)	356,892		20,857	115,428
Transfers (out) (Note 4C)	(2,130,357)	(115,428)	(342,532)	(1,032,243)
Total Other Financing Sources (Uses)	(1,748,465)	(115,428)	(321,675)	(916,815)
NET CHANGE IN FUND BALANCES	(1,795,470)	(1,415,374)	(102,066)	910,663
BEGINNING FUND BALANCES	4,696,259	3,293,404	2,453,138	2,817,735
ENDING FUND BALANCES	\$2,900,789	\$1,878,030	\$2,351,072	\$3,728,398

See accompanying notes to financial statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$647,640	\$11,919,373
		2,177,427
		3,269,459
		702,124
	417,565	1,099,238
	11,835	530,799
	798,919	2,275,012
	-	592,195
\$152,202	348,421	1,443,506
	1,169,670	1,295,216
43,825	697,014	792,893
<u>196,027</u>	<u>4,091,064</u>	<u>26,097,242</u>
		1,846,271
	137,421	9,851,524
	787,892	2,175,594
889,645	1,445,757	1,456,488
	312,188	3,404,586
		1,666,662
2,289,800	138,306	5,254,736
	190,000	1,150,376
	732,849	1,227,636
<u>3,179,445</u>	<u>3,744,413</u>	<u>28,033,873</u>
<u>(2,983,418)</u>	<u>346,651</u>	<u>(1,936,631)</u>
		25,000
1,032,243	1,935,636	3,461,056
(50,000)	(340,565)	(4,011,125)
<u>982,243</u>	<u>1,595,071</u>	<u>(525,069)</u>
(2,001,175)	1,941,722	(2,461,700)
<u>6,265,921</u>	<u>3,473,815</u>	<u>23,000,272</u>
<u>\$4,264,746</u>	<u>\$5,415,537</u>	<u>\$20,538,572</u>

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

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$2,461,700)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other capitalized expenditures are therefore added back to fund balance 1,574,620

Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$177,722 which has already been allocated to serviced funds) (2,449,251)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment and forgiveness of debt principal are added back to fund balance 1,150,376

Interest expense are deducted from fund balance 30,006

ACCRUAL OF NON-CURRENT ITEMS

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

Internal balances (76,017)

Deferred revenue 3,642,071

Compensated absences 12,545

Unpaid interest added to long-term debt (1,315,042)

Reduction in long-term debt 200,000

Amortization of prepaid pension obligation (471,489)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds 307,422

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$143,541

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal 2008.

MUNICIPAL WATER SYSTEM FUND

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

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND

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

STORM DRAIN FUND

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

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain		
ASSETS					
Current Assets:					
Cash and investments (Note 3)	\$2,812,123	\$4,530,666	\$241,445	\$7,584,234	\$1,191,929
Cash with fiscal agent (Note 3)		240,208		240,208	
Receivables:					
Accounts - net	1,161,897	1,410,080		2,571,977	1,197
Due from other governmental agencies		13,201	\$5,401	18,602	
Total Current Assets	3,974,020	6,194,155	246,846	10,415,021	1,193,126
Total Noncurrent Assets:					
Advances to other funds (Note 4B)	650,000			650,000	
Capital assets (Note 6)					
Non-depreciable capital assets		1,500,500		1,500,500	
Depreciable capital assets, net	6,292,269	9,633,027	507,515	16,432,811	1,229,903
Total Assets	10,916,289	17,327,682	754,361	28,998,332	2,423,029
LIABILITIES					
Current Liabilities:					
Accounts payable	233,344	186,316	1,421	421,081	59,310
Interest payable		54,200		54,200	1,348
Deposits	249,095	22,962	12,536	284,593	
Due to other funds (Note 4A)		1,456,904	246,427	1,703,331	
Long-term debt due within one year (Note 7)		230,486		230,486	116,954
Total Current Liabilities	482,439	1,950,868	260,384	2,693,691	177,612
Noncurrent Liabilities:					
Compensated absences (Note 1G)	128,957	279,961	21,423	430,341	14,726
Accrued self-insurance (Note 10)					613,785
Long-term debt (Note 7)					
Due in more than one year		9,562,541		9,562,541	213,146
Total Noncurrent Liabilities	128,957	9,842,502	21,423	9,992,882	841,657
Total Liabilities	611,396	11,793,370	281,807	12,686,573	1,019,269
NET ASSETS (Note 8)					
Invested in capital assets, net of related debt	6,292,269	5,305,500	507,515	12,105,284	899,803
Unrestricted	4,012,624	228,812	(34,961)	4,206,475	503,957
Total Net Assets	\$10,304,893	\$5,534,312	\$472,554	16,311,759	\$1,403,760
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.				(76,565)	
Net assets business-type activities				<u>\$16,235,194</u>	

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
OPERATING REVENUES					
Water sales	\$4,905,912			\$4,905,912	
Sewer service fees		\$5,834,414		5,834,414	
Equipment rental					\$589,572
Interdepartmental charges					1,120,163
Storm drain fees			\$226,560	226,560	
Miscellaneous	4,764	53,169	22,393	80,326	2,105
Total Operating Revenues	4,910,676	5,887,583	248,953	11,047,212	1,711,840
OPERATING EXPENSES					
Personnel services	1,358,905	2,724,660	219,348	4,302,913	494,425
Contractual services	450,263	525,228	177,876	1,153,367	228,762
Materials, supplies and other services	400,757	501,205	17,406	919,368	225,329
Water purchases	1,684,527			1,684,527	
Depreciation	267,629	810,458	40,004	1,118,091	130,922
Utilities		176,270		176,270	14,880
Insurance premiums and claims					703,640
Total Operating Expenses	4,162,081	4,737,821	454,634	9,354,536	1,797,958
Operating Income (Loss)	748,595	1,149,762	(205,681)	1,692,676	(86,118)
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposal of capital assets					32,251
Interest revenue	93,424	129,736	840	224,000	13,227
Interest expense		(424,936)	(2,484)	(427,420)	(7,256)
Total Nonoperating Revenues (Expenses)	93,424	(295,200)	(1,644)	(203,420)	38,222
Income (Loss) Before Transfers and Contributions	842,019	854,562	(207,325)	1,489,256	(47,896)
Contributions					100,268
Transfers in (Note 4C)	275	379	370,930	371,584	178,485
Net transfers and contributions	275	379	370,930	371,584	278,753
Change in net assets	842,294	854,941	163,605	1,860,840	230,857
BEGINNING NET ASSETS	9,462,599	4,679,371	308,949		1,172,903
ENDING NET ASSETS	\$10,304,893	\$5,534,312	\$472,554		\$1,403,760
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				(548)	
Change in net assets of business-type activities				\$1,860,292	

See accompanying notes to financial statements

CITY OF MILLBRAE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2008

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$4,886,070	\$5,651,171	\$252,762	\$10,790,003	\$1,734,890
Payments to suppliers	(2,517,762)	(1,531,466)	(195,865)	(4,245,093)	(587,655)
Payments to employees	(1,274,542)	(2,629,137)	(213,987)	(4,117,666)	(498,141)
Claims paid					(610,233)
Cash Flows from Operating Activities	1,093,766	1,490,568	(157,090)	2,427,244	38,861
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interfund payments		(212,230)		(212,230)	
Interfund receipts	266,700		29,249	295,949	
Transfers in	275	379	370,930	371,584	178,485
Transfers (out)					
Cash Flows from Noncapital Financing Activities	266,975	(211,851)	400,179	455,303	178,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(248,622)	(2,378,296)		(2,626,918)	(326,754)
Proceeds from issuance of debt		3,965,000		3,965,000	257,873
Principal payments on capital debt		(216,561)		(216,561)	(33,267)
Interest paid		(420,516)	(2,484)	(423,000)	(5,908)
Cash Flows from Capital and Related Financing Activities	(248,622)	949,627	(2,484)	698,521	(108,056)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investment with fiscal agent		469,807		469,807	
Interest	93,424	129,736	840	224,000	13,227
Cash Flows from Investing Activities	93,424	599,543	840	693,807	13,227
Net Cash Flows	1,205,543	2,827,887	241,445	4,274,875	122,517
Cash and investments at beginning of period	1,606,580	1,702,779		3,309,359	1,069,412
Cash and investments at end of period	\$2,812,123	\$4,530,666	\$241,445	\$7,584,234	\$1,191,929
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$748,595	\$1,149,762	(\$205,681)	\$1,692,676	(\$86,118)
Adjustments to reconcile operating income (Loss) to cash flows from operating activities:					
Depreciation	267,629	810,458	40,004	1,118,091	130,922
Change in assets and liabilities:					
Receivables, net	(63,340)	(250,667)		(314,007)	23,050
Due from other governmental agencies		5,255	2,809	8,064	
Accounts payable	17,785	(328,763)	(583)	(311,561)	(118,684)
Compensated absences	84,363	95,523	5,361	185,247	(3,716)
Refundable deposits	38,734	9,000	1,000	48,734	93,407
Cash Flows from Operating Activities	\$1,093,766	\$1,490,568	(\$157,090)	\$2,427,244	\$38,861
NONCASH TRANSACTION					
Retirement of discounts		\$1,677			

See accompanying notes to financial statements

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. *Reporting Entity*

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

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

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

B. *Basis of Presentation*

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

The City also reports the following fund types:

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

D. Basis of Accounting

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

E. Revenue Recognition for Water and Sewer Enterprise Funds

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

F. Property Tax

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Compensated Absences*

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

	Governmental Activities	Business-Type	Total
Beginning Balance	\$1,982,628	\$245,094	\$2,227,722
Additions	186,723	185,247	371,970
Payments	(202,984)		(202,984)
Ending Balance	<u>\$1,966,367</u>	<u>\$430,341</u>	<u>\$2,396,708</u>
Current Portion	<u>\$153,046</u>		<u>\$153,046</u>

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

H. *Expenditures in Excess of Budget*

For the year ended June 30, 2008, expenditures exceeded the budgeted expenditures in the following funds:

Fund	Expenditures exceeded budget
General Fund - Capital outlay	\$398,138
COPS & Other Grants Special Revenue Fund	1,078
Redevelopment Agency Debt Service Fund	35,404

The excess expenditures were funded by available financial resources.

NOTE 2 – BUDGES AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

In even numbered years, the City Manager submits to the City Council a proposed biennial operating budget for the ensuing two fiscal years. The operating budget includes proposed expenditures and the means of financing them and is 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.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 2 – BUDGES AND BUDGETARY ACCOUNTING (Continued)

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

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Projects Funds (which are budgeted on project length basis), Enterprise Funds, the following Special Revenue Funds: Hillcrest Slide Maintenance, Parking In-Lieu and Shultz Park; and the following Debt Service Funds: Storm Drain Bonds, Fire Facility Bonds.

B. Encumbrances

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

NOTE 3 - CASH AND INVESTMENTS

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

The City's cash and investments consist of the following at June 30, 2008:

	Cash and Investments		Total
	Available for Operations	With Fiscal Agents	
Investments:			
Local Agency Investment Fund	\$5,181,944	\$221,049	\$5,402,993
San Mateo County Investment Fund	19,190,224		19,190,224
Certificates of deposits	654,280		654,280
Corporate Notes		865,319	865,319
Money Market Funds	69,477	2,845,997	2,915,474
Petty Cash	1,500		1,500
Cash in banks	50,068		50,068
Total cash and investments	<u>\$25,147,493</u>	<u>\$3,932,365</u>	<u>\$29,079,858</u>

CITY OF MILLBRAE
Notes to Financial Statements

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

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

The City did not enter into any reverse repurchase agreements during the year ended June 30, 2008.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by Debt Agreements

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

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

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

C. Interest Rate Risk

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

	12 Months or less	13 to 24 Months	Total
Local Agency Investment Fund	\$5,402,993		\$5,402,993
San Mateo County Investment Fund	19,190,224		19,190,224
Certificates of Deposits	557,178	\$97,102	654,280
Corporate Notes	865,319		865,319
Money Market Funds	2,915,474		2,915,474
Petty Cash	1,500		1,500
Cash in banks	50,068		50,068
Total Cash and Investments	<u>\$28,982,756</u>	<u>\$97,102</u>	<u>\$29,079,858</u>

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2008 for each investment type:

Investment Type	AAA	Total
Corporate Notes	<u>\$865,319</u>	<u>\$865,319</u>
<i>Not rated:</i>		
Local Agency Investment Fund		5,402,993
San Mateo County Investment Fund		19,190,224
Certificates of deposits		654,280
Money Market Funds		2,915,474
Petty Cash		1,500
Cash in banks		50,068
Total Cash and Investments		<u>\$29,079,858</u>

E. Custodial Credit Risk

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

F. *Local Agency Investment Fund*

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2008, these investments matured in an average of 212 days.

G. *San Mateo County Investment Fund*

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2008, these investments matured in an average of 1.7 years.

Money Market Funds are available for withdrawal on demand.

H. *Subsequent Event*

Subsequent to June 30, 2008, the City was informed that management of the San Mateo County Investment Pool removed certain investments issued by Lehman Brothers Holdings, Inc. (Lehman Brothers) from the Pool and classified them as non-performing assets due the bankruptcy filed by Lehman Brothers. This write down reflects concerns that those investments may not be collectable. Ultimate recovery, if any, is not determinable at this time. At September 30, 2008, the City's share of the loss is estimated to be around \$949,865.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2008 interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Storm Drain Enterprise Fund	\$246,427
	Non-Major Governmental Funds	111,311
Redevelopment Agency Capital Projects Fund	Municipal Waste Water Treatment Facility Enterprise Fund	1,456,904
		\$1,814,642

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

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

At June 30, 2008 outstanding balances from the above advances were as follows:

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2008 were as follows:

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>
General Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	\$185,000 A
	Redevelopment Agency Capital Projects Fund	50,000 A
	Non-Major Governmental Funds	2,782 A
	Non-Major Governmental Funds	119,110 B
Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Non-Major Governmental Funds	20,857 A
Redevelopment Agency Debt Service Fund	Redevelopment Agency Special Revenue Fund	115,428 C
Millbrae Station Area Developer Fee Capital Projects Fund	General Fund	709,217 A
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	1,032,243 A
Non Major Governmental Funds	Non Major Governmental Funds	56,164 A
Non-Major Governmental Funds	General Fund	871,945 D
	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	157,532 A
	Non Major Governmental Funds	140,778 A
Municipal Water System Enterprise Fund	Non Major Governmental Funds	275 A
Municipal Waste Water Treatment Facility Enterprise Fund	Non Major Governmental Funds	379 A
Storm Drain Enterprise Fund	General Fund	370,710 A
	Non Major Governmental Funds	220 A
Internal Service Funds	General Fund	178,485 A
	Total Interfund Transfers	<u>\$4,011,125</u>

The reasons for these transfers are set forth below:

- A To fund administrative expenditures
- B To close various fund
- C To fund debt service payments
- D To fund recreation programs and library maintenance

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

D. Internal Balances

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

NOTE 5 - LOANS RECEIVABLE

A. The Low and Moderate Income First Time Home Buyer Program was established to provide mortgages for up to 20 employees of School Districts located within the City. In order to qualify participants must be employees of these Districts and they must be home buyers in low and moderate-income housing developments who do not qualify for a home purchase without down payment assistance. These loans bear no interest nor require payments for the first ten years of the loan or until the participant ceases employment with the District, whichever is earlier. After that date the loans bear a negotiated interest rate and require monthly interest payments. The loans are secured by second deeds of trust, require the principal balance to be paid at the end of the thirty year term and must be repaid in full if the property is sold to an unqualified buyer. At June 30, 2008, First Time Home Buyer Loans in the amount of \$647,600 were outstanding.

B. Dolores Lia Apartments Loan

During the fiscal year ended June 30, 2008, the City entered into a loan agreement with a developer, a California nonprofit public benefit corporation, in which the City would provide a loan of up to \$5 million for the Dolores Lia Apartment project. The developer will own, operate and convert the project to condominiums for sale to low and moderate income homebuyers. A loan repayment of \$1.8 million is expected upon sale of the converted units. The remaining \$3.2 million will be secured first by a note and deed of trust with the developer and then by notes and deeds of trust by the unit owners for at least forty five years. As of June 30, 2008, the amount of loans receivable was \$4,063,106.

NOTE 6 - CAPITAL ASSETS

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

During the fiscal year ended June 30, 2008 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34. The results of this study were included in the City's financial reports for the fiscal year ended June 30, 2008, and resulted in accounting adjustments in governmental activities. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments.

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

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

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2008 comprise:

	Balance at June 30, 2007	Additions and Adjustments	Retirements	Transfers	Balance at June 30, 2008
Governmental activities					
Capital assets not being depreciated:					
Land	\$14,885,484				\$14,885,484
Total capital assets not being depreciated	14,885,484				14,885,484
Capital assets being depreciated:					
Land Improvements	945,108	\$6,877			951,985
Building and Improvements	20,173,340	73,200			20,246,540
Furniture, Fixtures and Equipment	3,825,043	526,784		\$82,536	4,434,363
Automobiles and Trucks	532,848	531,596		(144,669)	919,775
Infrastructure	52,700,287	511,416	(\$75,350)		53,136,353
Total capital assets being depreciated	78,176,626	1,649,873	(75,350)	(62,133)	79,689,016
Less accumulated depreciation for:					
Land Improvements	615,933	34,109			650,042
Building and Improvements	2,916,199	404,237			3,320,436
Furniture, Fixtures and Equipment	2,070,840	196,184		35,628	2,302,652
Automobiles and Trucks	492,043	26,102			518,145
Infrastructure	23,835,834	1,690,858	(97)		25,526,595
Total accumulated depreciation	29,930,849	2,351,490	(97)	35,628	32,317,870
Net Governmental Fund Program					
Capital assets	63,131,261	(701,617)	(75,253)	(97,761)	62,256,630
Internal Service Fund Capital Assets					
Building and Improvements	80,065				80,065
Furniture, Fixtures and Equipment	640,723			(82,536)	558,187
Automobiles and Trucks	1,951,136	506,182		144,669	2,601,987
Total capital assets being depreciated	2,671,924	506,182		62,133	3,240,239
Less accumulated depreciation for:					
Building and Improvements	35,784	1,601			37,385
Furniture, Fixtures and Equipment	199,929	50,416		(35,628)	214,717
Automobiles and Trucks	1,534,659	223,575			1,758,234
Total accumulated depreciation	1,770,372	275,592		(35,628)	2,010,336
Net Internal Service Capital Assets					
Being Depreciated	901,552	230,590		97,761	1,229,903
Governmental activity capital assets, net	\$64,032,813	(\$471,027)	(\$75,253)		\$63,486,533

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2007	Additions and Adjustments	Retirements	Balance at June 30, 2008
Business-type activities				
Capital assets not being depreciated:				
Land		\$1,500,500		\$1,500,500
Total capital assets not being depreciated		1,500,500		1,500,500
Capital assets, being depreciated:				
Land Improvements	\$231,267	76,706		307,973
Building and Improvements	5,877,357			5,877,357
Furniture, Fixtures and Equipment	14,658,676	882,717		15,541,393
Automobiles and Trucks	51,557			51,557
Infrastructure	10,543,909	202,924	(\$13,878)	10,732,955
Total capital assets being depreciated	31,362,766	1,162,347	(13,878)	32,511,235
Less accumulated depreciation for:				
Land Improvements	113,857	12,444		126,301
Building and Improvements	2,765,859	105,711		2,871,570
Furniture, Fixtures and Equipment	6,239,664	898,041		7,137,705
Automobiles and Trucks	43,790	3,049		46,839
Infrastructure	5,775,112	134,775	(13,878)	5,896,009
Total accumulated depreciation	14,938,282	1,154,020	(13,878)	16,078,424
Business-type activity capital assets, net	\$16,424,484	\$8,327		\$17,933,311

At June 30, 2008, the Co-Generation Wastewater Project remaining costs were estimated to be approximately \$263,785.

A. Capital Asset Contributions

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

CITY OF MILLBRAE Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)
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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	\$91,530
Public Safety	232,604
Highways and Streets	1,776,068
Culture and Recreation	31,941
Community Development	317,108
Capital assets held by the City's Internal Service Funds	<u>130,922</u>
Total Governmental Activities	<u><u>\$2,580,173</u></u>

Business-Type Activities

Municipal Water System	\$267,629
Municipal Wastewater Treatment Facility	810,458
Storm Drain	<u>40,004</u>
Total Business-Type Activities	<u><u>\$1,118,091</u></u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

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

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

A. Current Year Transactions and Balances

	Original Issue Amount	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008	Current Portion
Governmental Activity Debt:						
2001 Public Library General Obligation Bonds						
Public Library Project						
5.12%-8.5%, due 8/1/2036	\$10,600,000	\$10,475,000		\$60,000	\$10,415,000	\$70,000
2004 Pension Obligation Bonds Series A-2						
4.35%-6.58%, due 6/1/2034	11,521,630	13,688,604	\$1,572,885	740,000	14,521,489	770,000
1999 Certificates of Participation						
4.5-5.875%, due 3/1/2024	4,105,000	3,400,000		130,000	3,270,000	135,000
Natural Disaster Assistance Loan						
5.39%, due 6/9/2011	2,686,858	800,000		200,000	600,000	
2005 Redevelopment Agency Tax Allocation Bonds						
3.0-4.5%, due 8/1/2035	8,590,000	8,465,000		95,000	8,370,000	100,000
2006 Lease Purchase Financing - Phone System						
4.56%, due 06/30/2011	246,658	194,019		47,397	146,622	49,604
Internal Service Fund:						
2007 Lease Purchase Financing - Fire Apparatus						
4.97%, due 01/12/2011	430,463	335,823		77,950	257,873	81,824
2007 Lease Purchase Financing - Police Vehicles						
5.60%, due 02/27/2010	144,669	105,494		33,267	72,227	35,130
Total Governmental Activity Debt		<u>\$37,463,940</u>	<u>\$1,572,885</u>	<u>\$1,383,614</u>	<u>\$37,653,211</u>	<u>\$1,241,558</u>
Business-Type Activity Debt:						
Enterprise Funds:						
2005 Bank Loan - Cogeneration Project						
4.75%, due 4/27/2025	\$6,486,209	\$6,076,171		\$219,915	\$5,856,256	\$230,486
Discounts and loss on refunding, net of amortization		(29,906)		1,677	(28,229)	
2008 Bank Loan - Wastewater Revenue Notes						
3.50%, due 4/1/2010	3,965,000		\$3,965,000		3,965,000	
Total Business-Type Activity Debt		<u>\$6,046,265</u>	<u>\$3,965,000</u>	<u>\$221,592</u>	<u>\$9,793,027</u>	<u>\$230,486</u>

B. Public Library Project General Obligation Bonds

On August 7, 2001, the City issued 2001 General Obligation Bonds in the amount of \$10,600,000. The Bond proceeds were used to renovate, and construct an expansion area of the Millbrae Public Library. Semi-annual interest payments are due each February 1 and August 1, and principal is due on August 1 repayable from General Fund revenues until August 1, 2036. These bonds are repayable from a voter-approved tax levied for that purpose. The City has covenanted to direct the County to levy ad valorem taxes upon all property within the City subject to taxation. The total principal and interest remaining to be paid on the bonds is \$10,415,000. Principal and interest paid for the current year was \$597,849.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

C. 2004 Pension Obligation Bonds

On June 29, 2004, the California Statewide Communities Development Authority issued the 2004 Series A-2 Capital Appreciation Bonds in the amount of \$18,529,195, of which \$11,521,630 was the City's portion. The bond proceeds were used to prepay the unfunded liability of the Miscellaneous and Safety Pension Plans through the California Public Employees' Retirement System. As of June 30, 2008, prepaid pension obligations amounted to \$9,150,740.

The Bonds unaccrued discount totaled \$18,398,511 at June 30, 2008. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. Repayments of the accreted principal commenced June 1, 2008.

D. 1999 Certificates of Participation

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

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

E. Natural Disaster Assistance Loan

On June 9, 2001, the City obtained a loan from the Governor's Office of Emergency Services. The loan was used to repair and restore public facilities as a result of a landslide. Principal and interest payments were deferred for 3 years with annual interest payments. In fiscal year 2005, the loan agreement was amended to defer repayment until May 2008. City did not make any payment during fiscal year 2008.

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

F. 2005 Redevelopment Agency Tax Allocation Bonds

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

Interest payments are due each February 1 and August 1 and principal payments are due each August 1. These debt service payments are pledged security interest in and lien on Tax Revenues as defined in the bond Indenture. The total principal and interest remaining to be paid on the bonds is \$8,370,000. Principal and interest paid for the current year was \$457,325.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

G. 2006 Lease Purchase Financing – Phone System

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

H. 2007 Lease Purchase Financing – Fire Apparatus

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

I. 2007 Lease Purchase Financing – Police Vehicle

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

J. 2005 Bank Loan

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

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

K. 2008 Subordinate Wastewater Revenue Notes

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 7 - LONG TERM DEBT (Continued)

L. Debt Service Requirements

Annual debt service requirements are shown below:

Year ending June 30:	Governmental Activities			Business-Type Activities		
	Principal (A)	Interest	Total	Principal	Interest	Total
2009	\$1,241,558	\$1,102,030	\$2,343,588	\$230,486	\$391,884	\$622,370
2010	1,299,900	1,075,636	2,375,536	4,206,564	403,165	4,609,729
2011	1,385,264	1,048,674	2,433,938	253,175	252,779	505,954
2012	1,315,000	1,022,314	2,337,314	265,342	240,610	505,952
2013	1,975,000	998,967	2,973,967	278,096	227,856	505,952
2014-2018	7,880,000	4,615,954	12,495,954	1,604,300	925,465	2,529,765
2019-2023	9,925,000	3,801,392	13,726,392	2,028,731	501,034	2,529,765
2024-2028	11,110,000	2,766,323	13,876,323	954,562	57,344	1,011,906
2029-2033	13,510,000	1,732,123	15,242,123			
2034-2037	6,410,000	425,547	6,835,547			
Total	\$56,051,722	\$18,588,959	\$74,640,681	\$9,821,256	\$3,000,137	\$12,821,393

(A) Includes unaccreted discount totaling discount totaling \$18,398,511

M. 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, 2008 was \$27,120,000

N. Authorized but Not Issued Loan

On June 12, 2007 the City Council authorized a State Revolving Fund loan application from the State Water Resources Control Board. Proceeds from the Loan will be used to finance the Water Pollution Control Plant Renovation Project which is estimated to cost approximately \$32 million. As of June 30, 2008, no proceeds had been drawdown.

NOTE 8 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)

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

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

B. Fund Balance

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

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

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

C. Reservations

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

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

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

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

D. Designations

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

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 – NET ASSETS AND FUND BALANCES (Continued)

E. Fund Balance Deficits

As of June 30, 2008, the COPS and Other Grants Special Revenue Fund and the Special Recreation Special Revenue Fund had deficit fund balances of \$223 and \$94,506, respectively. Future revenues are expected to eliminate the deficits.

NOTE 9 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The City's labor contracts require it to pay the employees contributions as well as its own. The Plans' provisions and benefits in effect at June 30, 2008, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50
Monthly benefits, as a % of annual salary	2.4%-3%	2.0%-2.7%
Required employee contribution rates	9.000%	8.000%
Required employer contribution rates	Police: 16.196%	11.659%
	Fire: 18.809%	

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

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2008, 2007, and 2006 amounted to \$1,590,494, \$1,761,078 and \$1,608,470 respectively.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 9 - RETIREMENT BENEFITS (Continued)

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

The City prepaid its pension contributions with proceeds from the Pension Obligation Bonds (See Note 7). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to \$9,150,740 at June 30, 2008. During fiscal 2007-2008, the amortization of the prepayment increased the actuarially required contributions by \$471,489 to arrive at Annual Pension Costs of \$1,590,494.

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

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

B. Postemployment Health Care Benefits

The City pays a portion of insurance premiums to provide health care benefits for retired employees as required by bargaining unit agreements. City employees who retire after reaching age 50 with five years or more of service are eligible for benefits. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. During the year ended June 30, 2008 the City paid \$293,441 on behalf of 49 retirees who were participating in the plan.

C. Deferred Compensation Plan

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 10 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$15,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. ABAG Plan provides \$1,000,000 of employee theft coverage in the excess of the city's \$5,000 deductible. For the year ended June 30, 2008, the City paid ABAG Plan \$229,408 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

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

B. Liability for Uninsured Claims

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

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

	Fiscal 2007-2008			Fiscal 2006-2007 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$478,305	\$42,073	\$520,378	\$627,449
Net change in:				
Liability for current fiscal year claims	167,008	26,677	193,685	108,281
Liability for prior fiscal year claims and claims incurred but not reported (IBNR)	210,010	91,764	301,774	140,149
Claims paid	(281,431)	(120,621)	(402,052)	(355,501)
Balances, end of year	<u>\$573,892</u>	<u>\$39,893</u>	<u>\$613,785</u>	<u>\$520,378</u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

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

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

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$78,773 for the year ended June 30, 2008. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

B. *Transportation System Management*

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

NOTE 12 – CONTINGENT LIABILITIES AND COMMITMENTS

A. *Contingent Liabilities*

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

CITY OF MILLBRAE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property tax	\$3,648,957	\$6,045,645	\$6,664,306	\$618,661
Sales tax	2,329,194	2,394,194	2,177,427	(216,767)
Transient occupancy tax	2,872,012	2,872,012	3,269,459	397,447
Franchise tax	823,088	612,494	702,124	89,630
Other taxes	65,000	681,604	681,673	69
Licenses and permits	773,512	415,400	468,691	53,291
Charges for services	859,061	769,735	1,169,376	399,641
Fines and forfeitures	254,330	354,330	576,367	222,037
Use of money and property	344,831	424,831	544,102	119,271
Grants and intergovernmental	171,658	229,452	125,546	(103,906)
Miscellaneous	2,696,514	73,323	51,208	(22,115)
Total Revenues	14,838,157	14,873,020	16,430,279	1,557,259
EXPENDITURES:				
Current:				
General government:				
City council	126,823	120,709	120,709	
City clerk	220,334	231,044	231,044	
Treasurer	8,275	7,242	7,242	
Administration	122,771	129,016	129,016	
Attorney	182,380	175,594	175,594	
General services:				
Finance	949,177	883,673	832,548	51,125
Human resource	200,399	210,364	210,364	
General government building	69,942	125,797	125,797	
Non-departmental	916,631	13,957	13,957	
Total general government	2,796,732	1,897,396	1,846,271	51,125
Public safety:				
Police	4,243,178	4,933,147	4,933,147	
Fire	4,248,808	4,829,864	4,780,956	48,908
Total public safety	8,491,986	9,763,011	9,714,103	48,908
Highways and streets:				
Engineering	616,525	689,227	672,847	16,380
Maintenance	721,171	745,644	714,855	30,789
Total highways and streets	1,337,696	1,434,871	1,387,702	47,169
Culture and recreation	12,000	10,731	10,731	
Community development	1,637,457	1,949,758	1,931,908	17,850
Capital outlay	33,641	388,645	786,783	(398,138)
Debt service:				
Principal		672,489	787,426	(114,937)
Interest and fiscal charges		127,297	12,360	114,937
Total Expenditures	14,309,512	16,244,198	16,477,284	(233,086)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	528,645	(1,371,178)	(47,005)	1,324,173
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt			25,000	25,000
Transfers in	57,105	378,864	356,892	(21,972)
Transfers (out)	(1,028,165)	(1,113,319)	(2,130,357)	(1,017,038)
Total other financing sources (uses)	(971,060)	(734,455)	(1,748,465)	(1,014,010)
NET CHANGE IN FUND BALANCES	(\$442,415)	(\$2,105,633)	(1,795,470)	\$310,163
BEGINNING FUND BALANCE			4,696,259	
ENDING FUND BALANCE			\$2,900,789	

CITY OF MILLBRAE
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
GOVERNMENTAL REVENUES				
Property tax	\$612,000	\$612,000	\$921,486	\$309,486
Use of money and property	127,827	127,827	105,423	(22,404)
Miscellaneous			543	543
	<u>739,827</u>	<u>739,827</u>	<u>1,027,452</u>	<u>287,625</u>
EXPENDITURES				
Community development	12,633	165,209	163,049	2,160
Payments to property tax pass through		124,102	124,102	
Capital outlay		2,039,847	2,039,847	
Debt service:				
Interest and fiscal charges		400	400	
	<u>12,633</u>	<u>2,329,558</u>	<u>2,327,398</u>	<u>2,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>727,194</u>	<u>(1,589,731)</u>	<u>(1,299,946)</u>	<u>289,785</u>
OTHER FINANCING SOURCES (USES)				
Transfers (out)	<u>(115,423)</u>	<u>(115,428)</u>	<u>(115,428)</u>	
Total Other Financing Sources (Uses)	<u>(115,423)</u>	<u>(115,428)</u>	<u>(115,428)</u>	
NET CHANGE IN FUND BALANCES	<u>\$611,771</u>	<u>(\$1,705,159)</u>	<u>(1,415,374)</u>	<u>\$289,785</u>
BEGINNING FUND BALANCE			<u>3,293,404</u>	
ENDING FUND BALANCE			<u>\$1,878,030</u>	

CITY OF MILLBRAE
MILLBRAE STATION AREA DEVELOPER FEE - OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GOVERNMENTAL REVENUES				
Licenses and permits		\$49,102	\$50,273	\$1,171
Charges for services		306,728	306,717	(11)
Fines and forfeitures		15,828	15,828	
Use of money and property			48,924	48,924
Miscellaneous			303	303
			<u>422,045</u>	
Total Revenues		<u>371,658</u>	<u>422,045</u>	<u>50,387</u>
EXPENDITURES				
Community development	\$31,718	124,834	107,796	17,038
Capital outlay	100,000			
Debt service:				
Principal		77,950	77,950	
Interest and fiscal charges		16,690	16,690	
			<u>202,436</u>	
Total Expenditures	<u>131,718</u>	<u>219,474</u>	<u>202,436</u>	<u>17,038</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(131,718)</u>	<u>152,184</u>	<u>219,609</u>	<u>67,425</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			20,857	20,857
Transfers (out)		(342,532)	(342,532)	
			<u>(321,675)</u>	
Total Other Financing Sources (Uses)		<u>(342,532)</u>	<u>(321,675)</u>	<u>20,857</u>
NET CHANGE IN FUND BALANCES				
	<u>(\$131,718)</u>	<u>(\$190,348)</u>	<u>(102,066)</u>	<u>\$88,282</u>
BEGINNING FUND BALANCE			<u>2,453,138</u>	
ENDING FUND BALANCE			<u><u>\$2,351,072</u></u>	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Projects Funds (which are budgeted on project length basis), Enterprise Funds, the following Special Revenue Funds: Hillcrest Slide Maintenance, Parking In-Lieu and Shultz Park; and the following Debt Service Funds: Storm Drain Bonds, Fire Facility Bonds.

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

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

CITY OF MILLBRAE
REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Budget		Actual	Positive (Negative)
	Original	Final		
GOVERNMENTAL REVENUES				
Property tax	\$2,417,000	\$2,417,000	\$3,685,941	\$1,268,941
Use of money and property	139,530	139,530	244,434	104,904
Total Revenues	<u>2,556,530</u>	<u>2,556,530</u>	<u>3,930,375</u>	<u>1,373,845</u>
EXPENDITURES				
Payments to property tax pass-throughs	1,198,817	1,542,560	1,542,560	
Debt service:				
Principal	95,000	95,000	95,000	
Interest and fiscal charges	463,731	429,933	465,337	(35,404)
Total Expenditures	<u>1,757,548</u>	<u>2,067,493</u>	<u>2,102,897</u>	<u>(35,404)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>798,982</u>	<u>489,037</u>	<u>1,827,478</u>	<u>1,338,441</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	115,423	115,423	115,428	5
Transfers (out)		(745,000)	(1,032,243)	(287,243)
Total Other Financing Sources (Uses)	<u>115,423</u>	<u>(629,577)</u>	<u>(916,815)</u>	<u>(287,238)</u>
NET CHANGE IN FUND BALANCES	<u>\$914,405</u>	<u>(\$140,540)</u>	910,663	<u>\$1,051,203</u>
BEGINNING FUND BALANCE			<u>2,817,735</u>	
ENDING FUND BALANCE			<u>\$3,728,398</u>	

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

AB2928 Grant – To account for grants received from AB2928.

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

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

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

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

Other - To account for moneys received from the Asset Forfeitures Grants, BART Impact Study grant, Department of Urban Forestry Grant, San Mateo County for Older American Act Grant and Senior Wing Furniture Donations.

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Debt Service Funds

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

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

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

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

Capital Project Funds

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

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

U.S. 101/Millbrae Ave Capital Projects Fund - To account for grant moneys received for the US 101/Millbrae Avenue interchanged improvement project.

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

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

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

SPECIAL REVENUE FUNDS

	COPs & Other Grants	Measure A	Noise Insulation Grant	Gas Tax	AB2928 Grant
ASSETS					
Cash and investments		\$1,628,790	\$26,099	\$441,490	\$568
Cash with fiscal agent					
Receivables:					
Taxes		37,980			
Accounts - net					
Due from other governmental agencies	\$102,748			131,316	400,000
Total Assets	<u>\$102,748</u>	<u>\$1,666,770</u>	<u>\$26,099</u>	<u>\$572,806</u>	<u>\$400,568</u>
LIABILITIES					
Accounts payable		\$350		\$34,536	
Due to other funds	\$102,971				
Deposits					
Unearned revenue					
Total Liabilities	<u>102,971</u>	<u>350</u>		<u>34,536</u>	
FUND BALANCE					
Fund balances:					
Reserved for					
Encumbrances		23,889		52,945	
Debt service					
Capital outlay					
Prepays					
Unreserved:					
Designated for:					
Undesignated	(223)	1,642,531	\$26,099	485,325	\$400,568
Total Fund Balances	<u>(223)</u>	<u>1,666,420</u>	<u>26,099</u>	<u>538,270</u>	<u>400,568</u>
Total Liabilities and Fund Balances	<u>\$102,748</u>	<u>\$1,666,770</u>	<u>\$26,099</u>	<u>\$572,806</u>	<u>\$400,568</u>

SPECIAL REVENUE FUNDS

Hillcrest Slide Maintenance	Special Recreation	Parking In-Lieu	Integrated Waste Management	Other	Shultz Park	Sister City Trust	Park Improvement
	\$77,457		\$211,281	\$146,139		\$16,526	\$12,655
	12,869		30,824	274,116 56,539			
	<u>\$90,326</u>		<u>\$242,105</u>	<u>\$476,794</u>		<u>\$16,526</u>	<u>\$12,655</u>
	\$35,027		\$5,495	\$550 8,340			\$12,655
	14,392 135,413		25,050	24,373			
	<u>184,832</u>		<u>30,545</u>	<u>33,263</u>			<u>12,655</u>
	625		29,766	23,959			
	(95,131)		181,794	419,572		\$16,526	
	(94,506)		211,560	443,531		16,526	
	<u>\$90,326</u>		<u>\$242,105</u>	<u>\$476,794</u>		<u>\$16,526</u>	<u>\$12,655</u>

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND
	Storm Drain Bonds	Fire Facility Bonds	1999 COPS	Library Bonds	Library Capital Project
ASSETS					
Cash and investments			\$59,483	\$654,273	
Cash with fiscal agent			328,233		
Receivables:					
Taxes					
Accounts - net					
Due from other governmental agencies					
Total Assets			\$387,716	\$654,273	
LIABILITIES					
Accounts payable					
Due to other funds					
Deposits					
Unearned revenue					
Total Liabilities					
FUND BALANCE					
Fund balances:					
Reserved for					
Encumbrances					
Debt service			\$387,716	\$654,273	
Capital outlay					
Prepays					
Unreserved:					
Designated for:					
Undesignated					
Total Fund Balances			387,716	654,273	
Total Liabilities and Fund Balances			\$387,716	\$654,273	

CAPTIAL PROJECTS FUNDS

<u>Millbrae Station Area Developer Fee</u>	<u>U.S. 101/ Millbrae Ave</u>	<u>Special Assessment District</u>	<u>Park Capital Improvement</u>	<u>Total Nonmajor Governmental Funds</u>
\$94,549		\$36,516		\$3,405,826
1,521,236				1,849,469
				37,980
				317,809
				<u>690,603</u>
<u>\$1,615,785</u>		<u>\$36,516</u>		<u>\$6,301,687</u>
\$626				\$89,239
				111,311
486,372				550,187
				<u>135,413</u>
<u>486,998</u>				<u>886,150</u>
250,000				381,184
				1,041,989
		36,516		36,516
<u>878,787</u>				<u>3,955,848</u>
<u>1,128,787</u>		<u>36,516</u>		<u>5,415,537</u>
<u>\$1,615,785</u>		<u>\$36,516</u>		<u>\$6,301,687</u>

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

SPECIAL REVENUE FUNDS

	COPs & Other Grants	Measure A	Noise Insulation Grant	Gas Tax	AB2928 Grant
GOVERNMENTAL REVENUES					
Property tax					
Other taxes		\$417,565			
License and permits					
Charges for services					
Use of money and property		56,322	\$785	\$16,680	\$568
Grants and intergovernmental	\$102,748			428,968	400,000
Miscellaneous					
Total Revenues	102,748	473,887	785	445,648	400,568
EXPENDITURES					
Current:					
Public safety	126,998				
Highways and streets		62,953		374,950	
Culture and recreation					
Community development					
Non-departmental					
Capital outlay		2,869		32,528	
Debt service:					
Principal					
Interest and fiscal charges	1,077				
Total Expenditures	128,075	65,822		407,478	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,327)	408,065	785	38,170	400,568
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers (out)	(130)	(59,414)			
Total Other Financing Sources (Uses)	(130)	(59,414)			
NET CHANGE IN FUND BALANCES	(25,457)	348,651	785	38,170	400,568
BEGINNING FUND BALANCES (DEFICITS)	25,234	1,317,769	25,314	500,100	
ENDING FUND BALANCES (DEFICITS)	(\$223)	\$1,666,420	\$26,099	\$538,270	\$400,568

SPECIAL REVENUE FUNDS

Hillcrest Slide Maintenance	Special Recreation	Parking In-Lieu	Integrated Waste Management	Other	Shultz Park	Sister City Trust	Park Improvement
				\$4,962			
\$8,128	\$523,783		\$217,022	38,500			
	169,419		2,209	5,072		\$312	\$1,129
	16,209		5,511	56,234			
	50,173			286,683		3,079	16,157
8,128	759,584		224,742	391,451		3,391	17,286
			266,121	83,868			
245,839	1,443,341					2,416	16,915
				15,354			5,742
245,839	1,443,341		266,121	99,222		2,416	22,657
(237,711)	(683,757)		(41,379)	292,229		975	(5,371)
	541,640			138,950		3,000	6,500
	(1,962)	(\$1,593)		(27)	(\$13,484)		(1,129)
	539,678	(1,593)		138,923	(13,484)	3,000	5,371
(237,711)	(144,079)	(1,593)	(41,379)	431,152	(13,484)	3,975	
237,711	49,573	\$1,593	252,939	12,379	\$13,484	12,551	
	(\$94,506)		\$211,560	\$443,531		\$16,526	

(Continued)

CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	DEBT SERVICE FUNDS				CAPITAL PROJECTS FUND
	Storm Drain Bonds	Fire Facility Bonds	1999 COPS	Library Bonds	Library Capital Project
GOVERNMENTAL REVENUES					
Property tax	\$2			\$647,638	
Other taxes					
License and permits					
Charges for services					
Use of money and property	5		\$11,423	13,010	\$3,930
Grants and intergovernmental					
Miscellaneous					
Total Revenues	<u>7</u>		<u>11,423</u>	<u>660,648</u>	<u>3,930</u>
EXPENDITURES					
Current:					
Public safety					
Highways and streets					
Culture and recreation					
Community development					4,793
Non-departmental					
Capital outlay					81,680
Debt service:					
Principal			130,000	60,000	
Interest and fiscal charges			193,128	538,644	
Total Expenditures			<u>323,128</u>	<u>598,644</u>	<u>86,473</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7</u>		<u>(311,705)</u>	<u>62,004</u>	<u>(82,543)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in			320,004		1,500
Transfers (out)	(3,406)	(\$4,373)			(62,930)
Total Other Financing Sources (Uses)	<u>(3,406)</u>	<u>(4,373)</u>	<u>320,004</u>		<u>(61,430)</u>
NET CHANGE IN FUND BALANCES	(3,399)	(4,373)	8,299	62,004	(143,973)
BEGINNING FUND BALANCES (DEFICITS)	<u>3,399</u>	<u>4,373</u>	<u>379,417</u>	<u>592,269</u>	<u>143,973</u>
ENDING FUND BALANCES (DEFICITS)			<u><u>\$387,716</u></u>	<u><u>\$654,273</u></u>	

CAPITAL PROJECTS FUNDS

Millbrae Station Area Developer Fee	U.S. 101/ Millbrae Ave	Special Assessment District	Park Capital Improvement	Total Nonmajor Governmental Funds
				\$647,640
				417,565
\$6,873				11,835
19,614				798,919
56,613	\$2,782	\$34		348,421
			\$160,000	1,169,670
	<u>340,922</u>			<u>697,014</u>
<u>83,100</u>	<u>343,704</u>	<u>34</u>	<u>160,000</u>	<u>4,091,064</u>
				137,421
10,423				787,892
				1,445,757
5,430			39,211	312,188
	133			138,306
				190,000
				<u>732,849</u>
<u>15,853</u>	<u>133</u>		<u>39,211</u>	<u>3,744,413</u>
				346,651
67,247	343,571	34	120,789	346,651
				1,935,636
709,217	56,164		158,661	1,935,636
	(2,782)	(14,850)	(174,485)	(340,565)
<u>709,217</u>	<u>53,382</u>	<u>(14,850)</u>	<u>(15,824)</u>	<u>1,595,071</u>
776,464	396,953	(14,816)	104,965	1,941,722
352,323	(396,953)	51,332	(104,965)	3,473,815
<u>\$1,128,787</u>	<u></u>	<u>\$36,516</u>	<u></u>	<u>\$5,415,537</u>

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS					
	COPS & OTHER GRANTS			MEASURE A		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes				\$325,000	\$417,565	\$92,565
License and permits						
Charges for services						
Use of money and property				10,000	56,322	46,322
Grants and intergovernmental	\$100,000	\$102,748	\$2,748			
Miscellaneous						
Total Revenues	<u>100,000</u>	<u>102,748</u>	<u>2,748</u>	<u>335,000</u>	<u>473,887</u>	<u>138,887</u>
EXPENDITURES						
Current:						
Public safety:						
Police	126,997	126,998	(1)			
Highways and streets						
Engineering				74,010	62,953	11,057
Maintenance						
Culture and recreation						
Community development						
Capital outlay				15,702	2,869	12,833
Debt service:						
Principal						
Interest and fiscal charges		1,077	(1,077)			
Total Expenditures	<u>126,997</u>	<u>128,075</u>	<u>(1,078)</u>	<u>89,712</u>	<u>65,822</u>	<u>23,890</u>
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(26,997)</u>	<u>(25,327)</u>	<u>1,670</u>	<u>245,288</u>	<u>408,065</u>	<u>162,777</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)		(130)	(130)	(59,414)	(59,414)	
Total Other Financing Sources (Uses)		<u>(130)</u>	<u>(130)</u>	<u>(59,414)</u>	<u>(59,414)</u>	
NET CHANGE IN FUND BALANCES	<u><u>(\$26,997)</u></u>	<u><u>(25,457)</u></u>	<u><u>\$1,540</u></u>	<u><u>\$185,874</u></u>	<u><u>348,651</u></u>	<u><u>\$162,777</u></u>
BEGINNING FUND BALANCES (DEFICITS)		<u>25,234</u>			<u>1,317,769</u>	
ENDING FUND BALANCES (DEFICITS)		<u><u>(\$223)</u></u>			<u><u>\$1,666,420</u></u>	

SPECIAL REVENUE FUNDS

NOISE INSULATION GRANT			GAS TAX			AB2928 GRANT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$785	\$785	\$6,061	\$16,680	\$10,619		\$568	\$568
			423,000	428,968	5,968	\$96,000	400,000	304,000
	785	785	429,061	445,648	16,587	96,000	400,568	304,568
			408,255	374,950	33,305			
			52,167	32,528	19,639			
			460,422	407,478	52,944			
	785	785	(31,361)	38,170	69,531	96,000	400,568	304,568
	785	\$785	(\$31,361)	38,170	\$69,531	\$96,000	400,568	\$304,568
	25,314			500,100				
	\$26,099			\$538,270			\$400,568	

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	SPECIAL REVENUE FUNDS					
	SPECIAL RECREATION			INTEGRATED WASTE MANAGEMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$535,500	\$523,783	(\$11,717)	\$200,000	\$217,022	\$17,022
Use of money and property	113,000	169,419	56,419		2,209	2,209
Grants and intergovernmental	21,000	16,209	(4,791)		5,511	5,511
Miscellaneous	41,000	50,173	9,173			
Total Revenues	<u>710,500</u>	<u>759,584</u>	<u>49,084</u>	<u>200,000</u>	<u>224,742</u>	<u>24,742</u>
EXPENDITURES						
Current:						
Public safety:						
Police						
Highways and streets						
Engineering				295,887	266,121	29,766
Maintenance						
Culture and recreation	1,443,966	1,443,341	625			
Community development						
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	<u>1,443,966</u>	<u>1,443,341</u>	<u>625</u>	<u>295,887</u>	<u>266,121</u>	<u>29,766</u>
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(733,466)</u>	<u>(683,757)</u>	<u>49,709</u>	<u>(95,887)</u>	<u>(41,379)</u>	<u>54,508</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	541,644	541,640	(4)			
Transfers (out)	(1,962)	(1,962)				
Total Other Financing Sources (Uses)	<u>539,682</u>	<u>539,678</u>	<u>(4)</u>			
NET CHANGE IN FUND BALANCES	<u>(\$193,784)</u>	<u>(144,079)</u>	<u>\$49,705</u>	<u>(\$95,887)</u>	<u>(41,379)</u>	<u>\$54,508</u>
BEGINNING FUND BALANCES		<u>49,573</u>			<u>252,939</u>	
ENDING FUND BALANCES (DEFICITS)		<u>(\$94,506)</u>			<u>\$211,560</u>	

SPECIAL REVENUE FUNDS

OTHER			SISTER CITY TRUST			PARK IMPROVEMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
	\$4,962							
	38,500	\$38,500						
	5,072	5,072		\$312	\$312		\$1,129	\$1,129
\$32,000	56,234	24,234						
7,000	286,683	279,683	\$4,000	3,079	(921)		16,157	16,157
39,000	391,451	352,451	4,000	3,391	(609)		17,286	17,286
43,903	43,903							
55,487	39,965	15,522	2,416	2,416		\$16,915	16,915	
23,792	15,354	8,438				5,742	5,742	
123,182	99,222	23,960	2,416	2,416		22,657	22,657	
(84,182)	292,229	376,411	1,584	975	(609)	(22,657)	(5,371)	17,286
(7,896)	138,950	138,950	3,000	3,000			6,500	6,500
(7,896)	(27)	7,869				(1,129)	(1,129)	
(7,896)	138,923	146,819	3,000	3,000		(1,129)	5,371	6,500
(\$92,078)	431,152	\$523,230	\$4,584	3,975	(\$609)	(\$23,786)		\$23,786
	12,379			12,551				
	\$443,531			\$16,526				

(Continued)

CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	DEBT SERVICE FUNDS					
	1999 COPS			LIBRARY BONDS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax				\$583,000	\$647,638	\$64,638
Other taxes						
License and permits						
Charges for services						
Use of money and property	\$10,000	\$11,423	\$1,423	5,000	13,010	8,010
Grants and intergovernmental						
Miscellaneous						
Total Revenues	<u>10,000</u>	<u>11,423</u>	<u>1,423</u>	<u>588,000</u>	<u>660,648</u>	<u>72,648</u>
EXPENDITURES						
Current:						
Public safety						
Public safety						
Highways and streets						
Public safety						
Public safety						
Culture and recreation						
Community development						
Capital outlay						
Debt service:						
Principal	130,000	130,000		60,000	60,000	
Interest and fiscal charges	193,128	193,128		538,644	538,644	
Total Expenditures	<u>323,128</u>	<u>323,128</u>		<u>598,644</u>	<u>598,644</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(313,128)</u>	<u>(311,705)</u>	<u>1,423</u>	<u>(10,644)</u>	<u>62,004</u>	<u>72,648</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	320,000	320,004	4			
Transfers (out)						
Total Other Financing Sources (Uses)	<u>320,000</u>	<u>320,004</u>	<u>4</u>			
NET CHANGE IN FUND BALANCES	<u>\$6,872</u>	<u>8,299</u>	<u>\$1,427</u>	<u>(\$10,644)</u>	<u>62,004</u>	<u>\$72,648</u>
BEGINNING FUND BALANCES		<u>379,417</u>			<u>592,269</u>	
ENDING FUND BALANCES (DEFICITS)		<u>\$387,716</u>			<u>\$654,273</u>	

INTERNAL SERVICE FUNDS

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

The City's Internal Service Funds are as follows:

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

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

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

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

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2008

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
ASSETS					
Current Assets:					
Cash and investments	\$281,868	\$9,674	\$794,783	\$105,604	\$1,191,929
Receivable:					
Accounts - net	1,197				1,197
Total Current Assets	283,065	9,674	794,783	105,604	1,193,126
Noncurrent Assets:					
Capital assets					
Depreciable capital assets, net	1,229,903				1,229,903
Total Assets	1,512,968	9,674	794,783	105,604	2,423,029
LIABILITIES					
Current Liabilities:					
Accounts payable	20,072		126	39,112	59,310
Interest payable	1,348				1,348
Long-term debt due within one year	116,954				116,954
Total Current Liabilities	138,374		126	39,112	177,612
Noncurrent Liabilities:					
Compensated absences	14,726				14,726
Accrued self-insurance			573,892	39,893	613,785
Long-term debt:					
Due in more than one year	213,146				213,146
Total Liabilities	366,246		574,018	79,005	1,019,269
NET ASSETS					
Invested in capital assets, net of related debt	899,803				899,803
Unrestricted	246,919	9,674	220,765	26,599	503,957
Total Net Assets (Deficits)	\$1,146,722	\$9,674	\$220,765	\$26,599	\$1,403,760

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
OPERATING REVENUES					
Equipment rental	\$589,572				\$589,572
Interdepartmental charges		\$14,414	\$685,005	\$420,744	1,120,163
Miscellaneous			742	1,363	2,105
Total Operating Revenues	589,572	14,414	685,747	422,107	1,711,840
OPERATING EXPENSES					
Personnel services	299,990		105,936	88,499	494,425
Contractual services	62,155		52,502	114,105	228,762
Materials, supplies and other services	225,329				225,329
Depreciation	130,922				130,922
Utilities	14,880				14,880
Insurance premiums and claims		16,228	353,611	333,801	703,640
Total Operating Expenses	733,276	16,228	512,049	536,405	1,797,958
Operating Income (Loss)	(143,704)	(1,814)	173,698	(114,298)	(86,118)
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	32,251				32,251
Interest revenue	5,805		7,034	388	13,227
Interest expense	(7,256)				(7,256)
Total Nonoperating Revenues (Expenses)	30,800		7,034	388	38,222
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	(112,904)	(1,814)	180,732	(113,910)	(47,896)
Capital contribution	100,268				100,268
Transfers in	178,485				178,485
Transfers and contributions	278,753				278,753
Change in Net Assets	165,849	(1,814)	180,732	(113,910)	230,857
BEGINNING NET ASSETS (DEFICIT)	980,873	11,488	40,033	140,509	1,172,903
ENDING NET ASSETS	\$1,146,722	\$9,674	\$220,765	\$26,599	\$1,403,760

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$589,572	\$14,414	\$685,747	\$445,157	\$1,734,890
Payments to suppliers	(368,377)		(60,700)	(158,578)	(587,655)
Payments to employees	(303,706)		(105,936)	(88,499)	(498,141)
Claims paid		(16,228)	(258,024)	(335,981)	(610,233)
Cash Flows from Operating Activities	(82,511)	(1,814)	261,087	(137,901)	38,861
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	178,485				178,485
Cash Flows from Noncapital Financing Activities	178,485				178,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(326,754)				(326,754)
Issuance of debts	257,873				257,873
Interest payment on capital debt	(5,908)				(5,908)
Principal payments on capital debt	(33,267)				(33,267)
Cash Flows from Capital and Related Financing Activities	(108,056)				(108,056)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income	5,805		7,034	388	13,227
Cash Flows from Investing Activities	5,805		7,034	388	13,227
Net Cash Flows	(6,277)	(1,814)	268,121	(137,513)	122,517
Cash and investments at beginning of period	288,145	11,488	526,662	243,117	1,069,412
Cash and investments at end of period	<u>\$281,868</u>	<u>\$9,674</u>	<u>\$794,783</u>	<u>\$105,604</u>	<u>\$1,191,929</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$143,704)	(\$1,814)	\$173,698	(\$114,298)	(\$86,118)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	130,922				130,922
Change in assets and liabilities:					
Accounts receivable				23,050	23,050
Accounts payable	(66,013)		(8,198)	(44,473)	(118,684)
Compensated absences	(3,716)				(3,716)
Accrued self-insurance			95,587	(2,180)	93,407
Cash Flows from Operating Activities	<u>(\$82,511)</u>	<u>(\$1,814)</u>	<u>\$261,087</u>	<u>(\$137,901)</u>	<u>\$38,861</u>

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

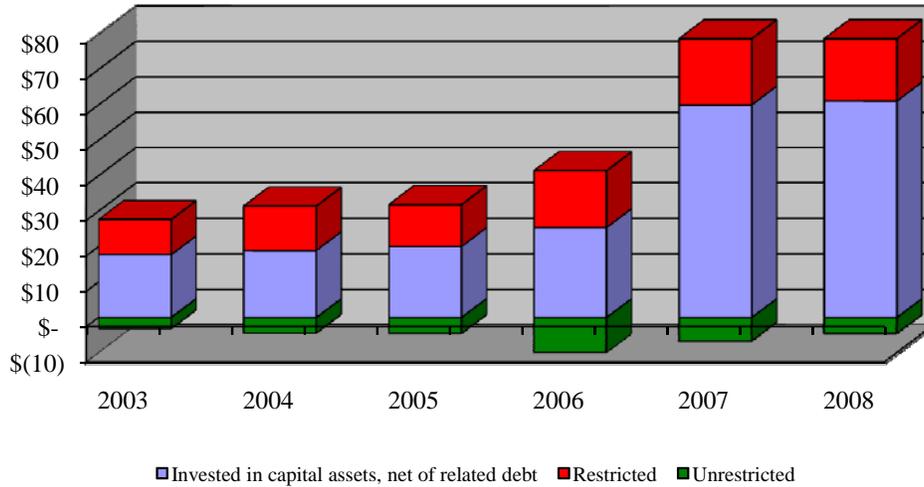
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources

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

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



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

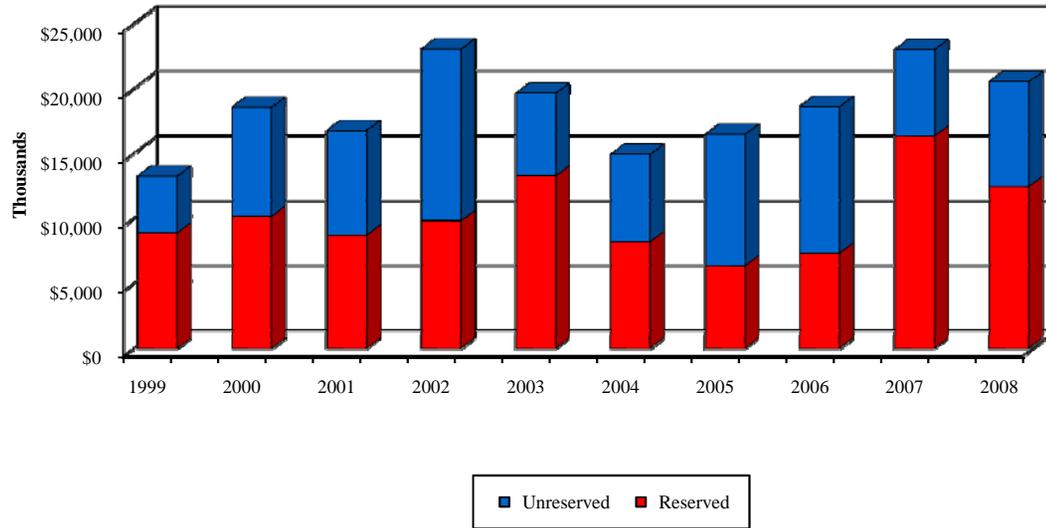
CITY OF MILLBRAE
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

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

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

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

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



	Fiscal Year Ended June 30,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$1,323,957	\$1,427,152	\$1,334,159	\$1,162,649	\$1,096,756	\$1,086,073	\$1,435,087	\$1,305,552	\$1,714,021	\$1,216,313
Unreserved	1,573,801	2,175,437	2,058,866	612,204	203,942	(665,816)	117,878	1,399,190	2,982,238	1,684,476
Total General Fund	<u>\$2,897,758</u>	<u>\$3,602,589</u>	<u>\$3,393,025</u>	<u>\$1,774,853</u>	<u>\$1,300,698</u>	<u>\$420,257</u>	<u>\$1,552,965</u>	<u>\$2,704,742</u>	<u>\$4,696,259</u>	<u>\$2,900,789</u>
All Other Governmental Funds										
Reserved	\$7,546,532	\$8,700,789	\$7,378,615	\$8,643,242	\$12,167,422	\$7,094,675	\$4,920,951	\$5,994,916	\$14,623,608	\$11,216,290
Unreserved, reported in:										
Special revenue funds	1,121,329	1,484,525	1,886,324	882,049	6,496,194	6,827,715	4,145,428	8,575,778	4,042,908	5,411,096
Capital project funds	1,660,594	4,768,211	4,095,787	11,735,854	(334,836)	579,509	5,846,761	1,359,947	(362,503)	1,010,397
Total all other governmental funds	<u>\$10,328,455</u>	<u>\$14,953,525</u>	<u>\$13,360,726</u>	<u>\$21,261,145</u>	<u>\$18,328,780</u>	<u>\$14,501,899</u>	<u>\$14,913,140</u>	<u>\$15,930,641</u>	<u>\$18,304,013</u>	<u>\$17,637,783</u>

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

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

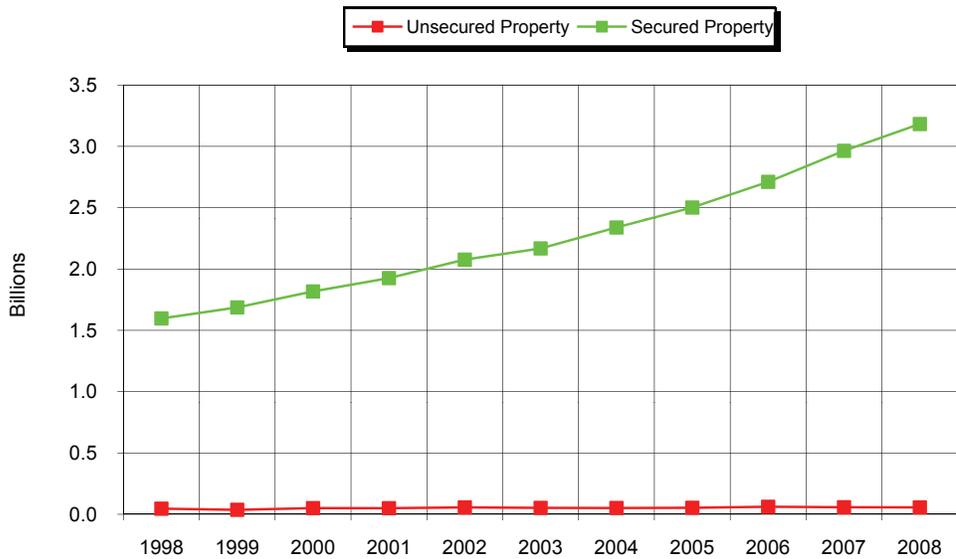
	Fiscal Year Ended June 30,				
	1999	2000	2001	2002	2003
Revenues					
Taxes	\$10,678,131	\$11,789,763	\$12,090,514	\$11,029,412	\$10,990,862
Licenses, permits and fees	200,041	242,067	207,245	208,158	334,554
Charges for services	1,320,763	1,401,500	1,343,763	1,512,160	466,764
Fines and forfeitures	159,499	197,218	220,302	203,112	222,945
Use of money and property	727,970	923,482	1,419,444	1,327,625	1,200,849
Grants and intergovernmental	4,181,994	5,094,670	8,468,454	6,889,858	4,774,880
Miscellaneous	399,436	782,045	494,042	381,763	1,442,871
Total Revenues	17,667,834	20,430,745	24,243,764	21,552,088	19,433,725
Expenditures					
Current:					
General government	\$1,632,976	\$1,596,499	\$1,937,360	\$1,886,046	\$1,331,146
Public safety	6,693,460	7,050,614	7,789,589	8,147,357	8,410,205
Highways and streets	1,790,276	1,716,087	2,292,948	2,281,965	1,853,430
Culture and recreation	2,039,148	2,498,675	2,266,262	2,445,562	1,941,713
Community development	3,105,854	2,362,097	3,417,641	2,159,940	2,177,272
Capital outlay	2,017,984	2,320,605	9,727,417	8,398,219	4,635,161
Debt service:					
Principal repayment	371,790	1,200,729	345,000	335,000	370,000
Interest and fiscal charges	557,811	519,713	742,905	1,011,752	1,211,210
Total Expenditures	18,209,299	19,265,019	28,519,122	26,665,841	21,930,137
Excess (deficiency) of revenues over (under) expenditures	(541,465)	1,165,726	(4,275,358)	(5,113,753)	(2,496,412)
Other Financing Sources (Uses)					
Transfers in	1,105,682	2,095,624	1,497,150	1,768,029	4,477,250
Transfers (out)	(808,015)	(2,036,450)	(1,185,276)	(1,303,029)	(3,697,258)
Proceeds from long-term debt		4,105,000	2,161,121	331,000	
Payment to retirement plan					
Tax allocation bonds issued					
Library bonds				10,600,000	
Sale of capital assets					
Total other financing sources (uses)	297,667	4,164,174	2,472,995	11,396,000	779,992
Net change in fund balances	(\$243,798)	\$5,329,900	(\$1,802,363)	\$6,282,247	(\$1,716,420)
Debt service as a percentage of noncapital expenditures	5.4%	9.8%	4.0%	5.3%	7.8%

Fiscal Year Ended June 30,

2004	2005	2006	2007	2008
\$11,338,355	\$14,291,554	\$16,191,092	\$17,815,200	\$19,167,621
565,594	349,179	474,612	1,044,495	530,799
2,674,024	1,379,653	1,840,334	2,957,931	2,275,012
291,095	203,223	358,782	700,717	592,195
426,685	807,830	763,161	1,562,303	1,443,506
1,940,142	2,004,196	1,129,260	1,271,907	1,295,216
<u>1,958,367</u>	<u>369,532</u>	<u>229,921</u>	<u>406,738</u>	<u>792,893</u>
<u>19,194,262</u>	<u>19,405,167</u>	<u>20,987,162</u>	<u>25,759,291</u>	<u>26,097,242</u>
\$1,216,074	\$1,162,097	\$1,475,679	\$1,731,518	\$1,846,271
8,333,506	8,346,122	8,414,172	8,758,410	9,851,524
1,575,042	1,336,560	1,430,631	1,803,807	2,175,594
1,497,215	1,695,953	2,057,200	1,306,120	1,456,488
2,205,659	3,027,175	3,391,005	4,373,645	5,071,248
7,767,178	3,909,191	663,204	2,157,024	1,666,662
		0	0	
420,000	5,330,000	807,350	379,928	1,150,376
<u>1,510,795</u>	<u>1,205,110</u>	<u>1,231,034</u>	<u>1,238,788</u>	<u>1,227,636</u>
<u>24,525,469</u>	<u>26,012,208</u>	<u>19,470,275</u>	<u>21,749,240</u>	<u>24,445,799</u>
<u>(5,331,207)</u>	<u>(6,607,041)</u>	<u>1,516,887</u>	<u>4,010,051</u>	<u>1,651,443</u>
904,673	1,515,967	2,696,763	2,081,633	3,461,056
(1,207,173)	(1,954,977)	(2,232,446)	(2,215,841)	(4,011,125)
11,521,630		188,074	489,046	25,000
(11,200,000)	8,590,000			
<u>604,755</u>				
<u>623,885</u>	<u>8,150,990</u>	<u>652,391</u>	<u>354,838</u>	<u>(525,069)</u>
<u>(\$4,707,322)</u>	<u>\$1,543,949</u>	<u>\$2,169,278</u>	<u>\$4,364,889</u>	<u>\$1,126,374</u>
8.5%	33.6%	11.7%	9.2%	11.6%

**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)
1998	\$1,309,793,991	\$182,309,182	\$13,697,294	\$45,222,853	\$1,551,023,320	\$45,967,012	\$1,596,990,332	\$1,596,990,332	0.20845%
1999	1,395,801,327	187,892,438	15,927,728	50,616,529	1,650,238,022	36,681,289	1,686,919,311	1,686,919,311	0.19676%
2000	1,502,591,917	200,476,816	15,088,282	48,360,421	1,766,517,436	50,653,981	1,817,171,417	1,817,171,417	0.20830%
2001	1,608,664,847	200,627,615	18,990,823	47,605,315	1,875,888,600	50,169,539	1,926,058,139	1,926,058,139	0.20390%
2002	1,737,618,409	206,401,619	20,210,975	55,944,473	2,020,175,476	56,459,257	2,076,634,733	2,076,634,733	0.20955%
2003	1,830,815,260	205,408,812	22,671,727	56,629,528	2,115,525,327	52,441,765	2,167,967,092	2,167,967,092	0.23229%
2004	1,991,744,482	213,193,265	23,896,936	58,133,646	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.23845%
2005	2,138,575,514	223,398,776	26,822,125	59,341,683	2,448,138,098	53,266,268	2,501,404,366	2,501,404,366	0.23911%
2006	2,327,641,820	233,450,555	27,468,703	60,471,807	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24221%
2007	2,530,096,235	261,604,654	36,210,882	78,491,214	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25105%
2008	2,731,897,346	263,281,277	36,695,559	94,020,849	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25621%

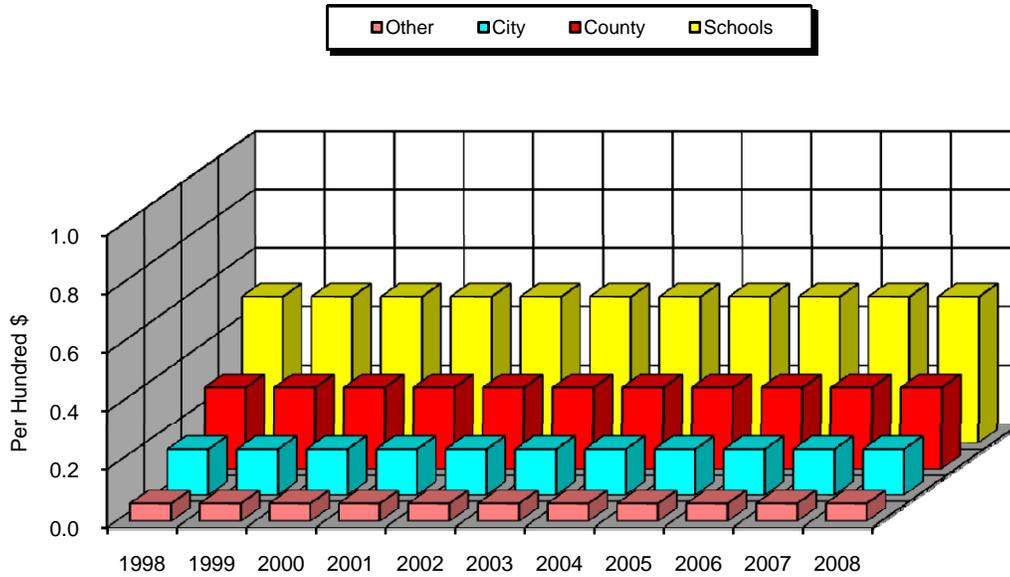
(a) The California State Constitution requires property to be assessed at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

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

Sources: Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 1998-2008

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Schools	County	City	Other	Total Tax
1998	0.5000	0.2820	0.1580	0.0609	1.0009
1999	0.5000	0.2820	0.1580	0.0609	1.0009
2000	0.5000	0.2820	0.1580	0.0609	1.0009
2001	0.5000	0.2820	0.1580	0.0609	1.0009
2002	0.5000	0.2820	0.1580	0.0609	1.0009
2003	0.5000	0.2820	0.1580	0.0609	1.0009
2004	0.5000	0.2820	0.1580	0.0609	1.0009
2005	0.5000	0.2820	0.1580	0.0609	1.0009
2006	0.5000	0.2820	0.1580	0.0609	1.0009
2007	0.5000	0.2820	0.1580	0.0609	1.0009
2008	0.5000	0.2820	0.1580	0.0609	1.0009

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

**CITY OF MILLBRAE
STATISTICS**

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO**

Fiscal Year 2007 - 2008

Fiscal Year 1997 - 1998

Owner / Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Westin Bay Hotel Company	\$44,238,112	1.4%
Hyosook Song	35,840,896	1.1%
Magnolia of Millbrae, Inc.	26,503,634	0.8%
PPC Townsquare Venture LLC	25,500,000	0.8%
Starwood San Francisco Clarion Realty LLC	23,970,000	0.8%
Marymount Greenhills LLC	20,103,902	0.6%
Millbrae Paradise LLC	14,320,800	0.4%
Millbrae Town Plaza Limited Partnership	12,436,420	0.4%
Real Property Storage LLC	10,929,332	0.3%
Wilson Plaza LLC	10,829,972	0.3%
American Store Properties Inc.	9,887,605	0.3%
OSH Acquisition Corporation	9,136,000	0.3%
John Wilms	8,954,227	0.3%
Thakor B Desai Trust	8,319,000	0.3%
Simeon SPFVEF LLC	8,160,000	0.3%
World Journal Inc.	7,794,361	0.2%
Millbrae Square Company	6,222,956	0.2%
Ramkabar LLC	5,868,700	0.2%
EMJP Partners Limited Partnership	5,791,550	0.2%
Paul D. Wright	5,262,588	0.2%
Poplar Apartments LLC	4,730,399	0.1%
Donna Suk Ting Ngai Trust	4,671,822	0.1%
California Lucky Man Enterprises	4,662,729	0.1%
Nan Hai USA Company Inc.	4,419,983	0.1%
Daniel N. Tiao	3,899,938	0.1%
TOTAL	322,454,926	10.1%

Owner / Taxpayer	Taxable Assessed Value	Percent of Total City Taxable Assessed Value
Westin Bay Hotel Company	\$40,262,734	2.5%
SLT Realty Limited Partnership	28,543,201	1.8%
Allan A. & Beverly M Sebanc	12,182,650	0.8%
Hertz Realty Corporation	10,428,289	0.7%
G W Williams Company	10,185,526	0.6%
Friend, Friend & Friend	8,479,364	0.5%
Millbrae Square Company	7,903,905	0.5%
John & Susan C Wilms Trust	7,639,558	0.5%
San Mateo County Transit District	5,867,901	0.4%
World Journal Inc.	5,748,799	0.4%
Ramkabar LLC	5,042,684	0.3%
EMJP Partners Limited Partnership	4,576,347	0.3%
Michael C H Chang, Et Al	4,200,000	0.3%
Magnolia of Millbrae, Inc.	4,089,834	0.3%
Kenneth D & C M McCloskey	4,087,980	0.3%
Daniel C. O'Neill	3,969,083	0.2%
California Lucky Man Enterprises	3,912,309	0.2%
Paul D. & Nancy J. Wright Trust	3,672,000	0.2%
Bruno & Tina Fatica Trust	3,282,547	0.2%
Joseph T. Fitzpatrick Trust	3,080,426	0.2%
Prime Development Corporation	2,648,940	0.2%
G. Edger Jr. & Marilyn C. Rogers	2,585,332	0.2%
Mandalay Holdings II Inc.	2,500,000	0.2%
Borel Bank & Company Trust Et.Al.	2,389,213	0.1%
Mary J Brereton Trust	2,328,611	0.1%
TOTAL	189,607,233	11.9%

Total Net Assessed Valuation:

Fiscal Year 2007-2008 3,182,502,355

Total Net Assessed Valuation:

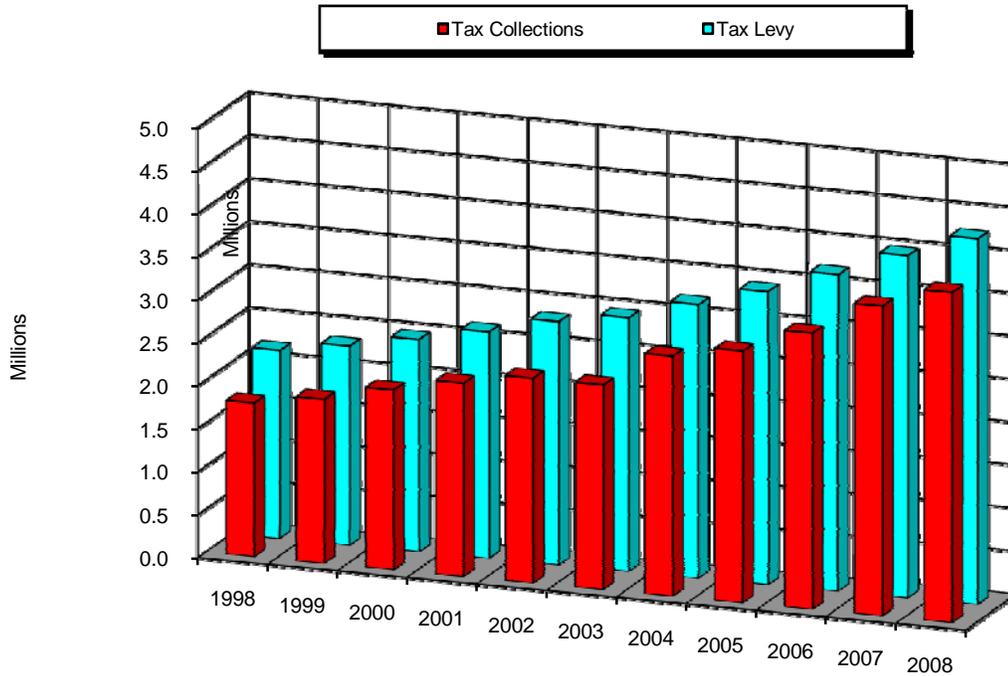
Fiscal Year 1997-1998 1,596,990,332

Sources: Hdl Coren & Cone

San Mateo County Assessor Combined Tax Rolls from 1998-2008

**CITY OF MILLBRAE
STATISTICS**

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



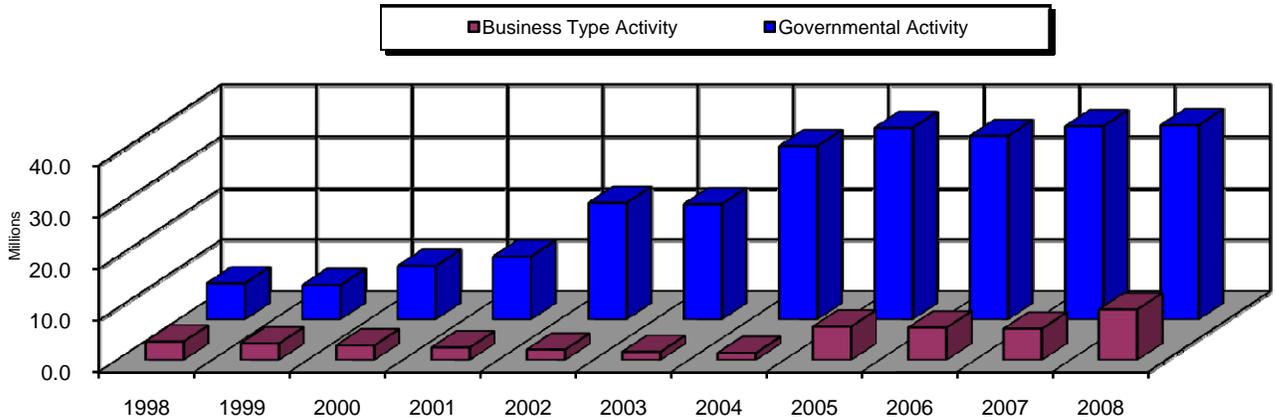
Fiscal Year	TOTAL Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	TOTAL Tax Collections	Percent of Tax Collected to Tax Levy
1998	\$2,189,538	\$1,786,581	81.5963%	\$2,736	\$1,789,317	81.7212%
1999	2,318,067	1,891,759	81.6093%	15,585	1,907,344	82.2817%
2000	2,469,184	2,036,108	82.4608%	55,515	2,091,623	84.7091%
2001	2,634,125	2,167,317	82.2784%	80,350	2,247,667	85.3288%
2002	2,829,892	2,336,584	82.5680%	46,414	2,382,998	84.2081%
2003	2,950,755	2,383,880	80.7888%	(3,194)	2,380,686	80.6806%
2004	3,182,827	2,623,965	82.4413%	165,925	2,789,890	87.6545%
2005	3,408,015	2,812,240	82.5184%	114,656	2,926,896	85.8827%
2006	3,682,039	2,952,070	80.1749%	258,862	3,210,932	87.2053%
2007	3,980,054	3,242,096	81.4586%	360,552	3,602,648	90.5176%
2008	4,251,621	3,461,893	81.4252%	375,457	3,837,350	90.2562%

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

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

**CITY OF MILLBRAE
STATISTICS**

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



Governmental Activity

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

Business Type Activity

Fiscal Year	Water Lease Purchase	Sanitation Loan and Bond	TOTAL	Total Primary Government	Percent of Personal Income (a)	Per Capita (a)
1998	\$989,677	\$2,576,800	\$3,566,477	\$10,610,037	0.04%	\$487
1999	810,858	2,400,700	3,211,558	9,887,287	0.03%	458
2000	622,953	2,214,800	2,837,753	13,227,753	0.04%	612
2001	425,502	2,018,500	2,444,002	14,666,625	0.04%	699
2002	218,021	1,811,300	2,029,321	24,634,318	0.06%	1,184
2003		1,592,600	1,592,600	23,951,656	0.07%	1,156
2004		1,361,700	1,361,700	34,952,773	0.09%	1,708
2005		6,486,209	6,486,209	43,610,357	0.11%	2,106
2006		6,286,001	6,286,001	41,849,118	0.11%	2,018
2007		6,076,171	6,076,171	43,540,111	0.10%	2,077
2008		9,793,026	9,793,026	47,446,237	0.10%	2,218

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

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

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

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Storm Water / Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
1998	\$200,000	0.01%	9.18
1999	175,000	0.01%	8.10
2000	150,000	0.01%	6.94
2001	120,000	0.01%	5.72
2002	10,690,000	0.51%	513.60
2003	10,660,000	0.49%	514.63
2004	10,610,000	0.45%	518.45
2005	10,555,000	0.42%	509.71
2006	10,520,000	0.39%	507.35
2007	10,475,000	0.35%	499.64
2008	10,415,000	0.33%	486.98

Sources: State of California, Department of Finance
Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 1998-2008

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2008

2007 / 2008 Assessed Valuation:	\$3,182,502,355
Redevelopment Incremental Valuation:	393,161,376
ADJUSTED ASSESSED VALUATION:	<u><u>\$2,789,340,979</u></u>

	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</u>			
San Mateo Community College District	\$650,619,994	2.324%	\$15,120,409
San Mateo Union High School District	184,949,950	6.686%	12,365,754
Millbrae School District Maintenance Assessment District	100,000	56.452%	56,452
City of Millbrae	10,415,000	100.00%	10,415,000
California Statewide Communities Development Authority Park Broadway Assessment District	1,694,236	100.00%	1,694,236
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u><u>\$39,651,850</u></u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>			
San Mateo County General Fund Obligations	390,994,816	2.324%	9,086,720
San Mateo County Board of Education Certificates of Participation	13,345,000	2.324%	310,138
Millbrae School District Certificates of Participation	3,475,000	56.452%	1,961,707
San Mateo Union High School District Certificates of Participation	74,516,236	6.686%	4,982,156
City of Millbrae Certificates of Participation	3,270,000	100.00%	3,270,000
City of Millbrae Pension Obligations	10,896,567	100.00%	10,896,567
San Mateo County Mosquito Abatement District Certificates of Participation	795,000	3.231%	25,686
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u><u>\$30,532,973</u></u>
COMBINED TOTAL DEBT			<u><u>\$70,184,824</u></u> (b)

<u>RATIOS TO 2007 - 2008 ASSESSED VALUATION</u>	
Direct Debt (\$10,415,000)	0.33%
Total Direct and Overlapping Tax Assessment Debt	1.25%

<u>RATIOS TO ADJUSTED ASSESSED VALUATION</u>	
Combined Direct Debt (\$24,581,567)	0.88%
Combined Total Debt	2.52%

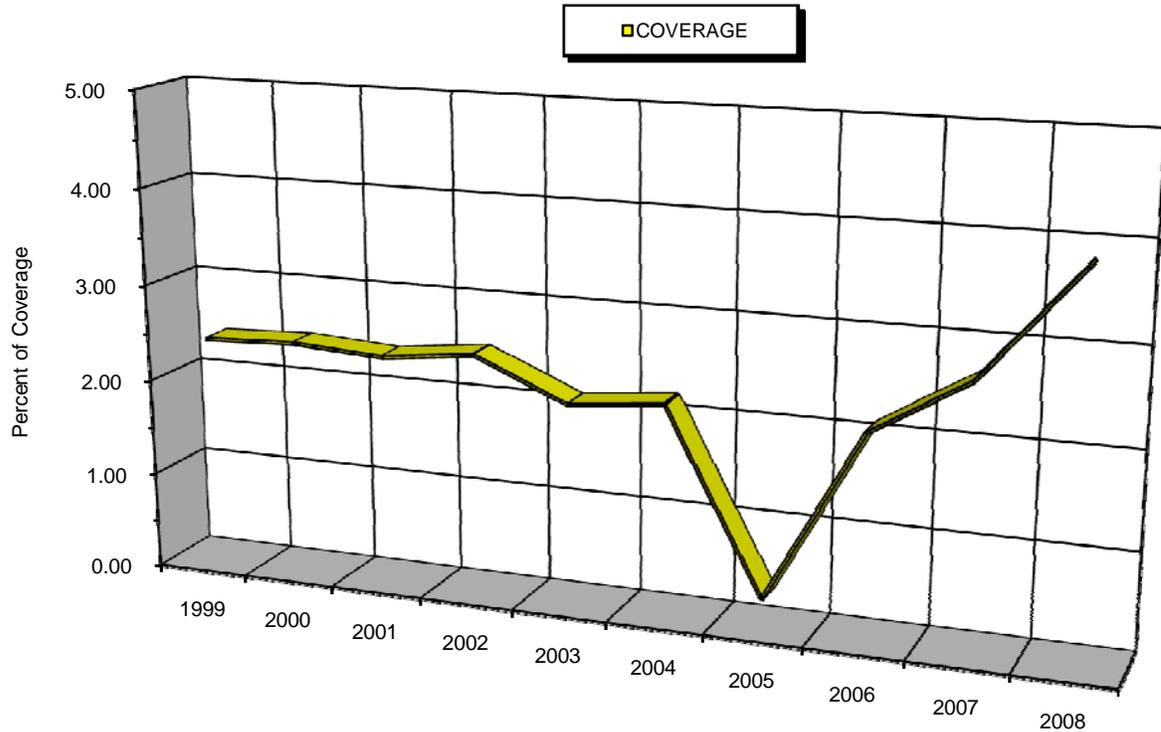
<u>STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08</u>	\$0
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- (a) Percentage of overlapping agency's assessed valuation located within boundaries of the City
- (b) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue, Tax Allocation Bonds and non-bonded Capital Lease Obligations

Source: California Municipal Statistics, Inc.

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			COVERAGE
				Principal	Interest	Total	
1999	\$3,100,313	\$2,085,853	\$1,014,460	\$261,254	\$159,053	\$420,307	2.41
2000	3,271,657	2,241,865	1,029,792	275,380	144,482	419,862	2.45
2001	3,302,898	2,298,546	1,004,352	290,326	129,118	419,444	2.39
2002	3,711,320	2,663,157	1,048,163	306,002	112,922	418,924	2.50
2003	3,796,303	2,922,565	873,738	322,521	95,850	418,371	2.09
2004	3,840,717	3,166,274	674,443	230,900	77,850	308,750	2.18
2005	3,844,013	3,362,695	481,318	1,361,700	104,717	1,466,417	0.33
2006	4,700,114	3,638,729	1,061,385	200,208	305,745	505,953	2.10
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83

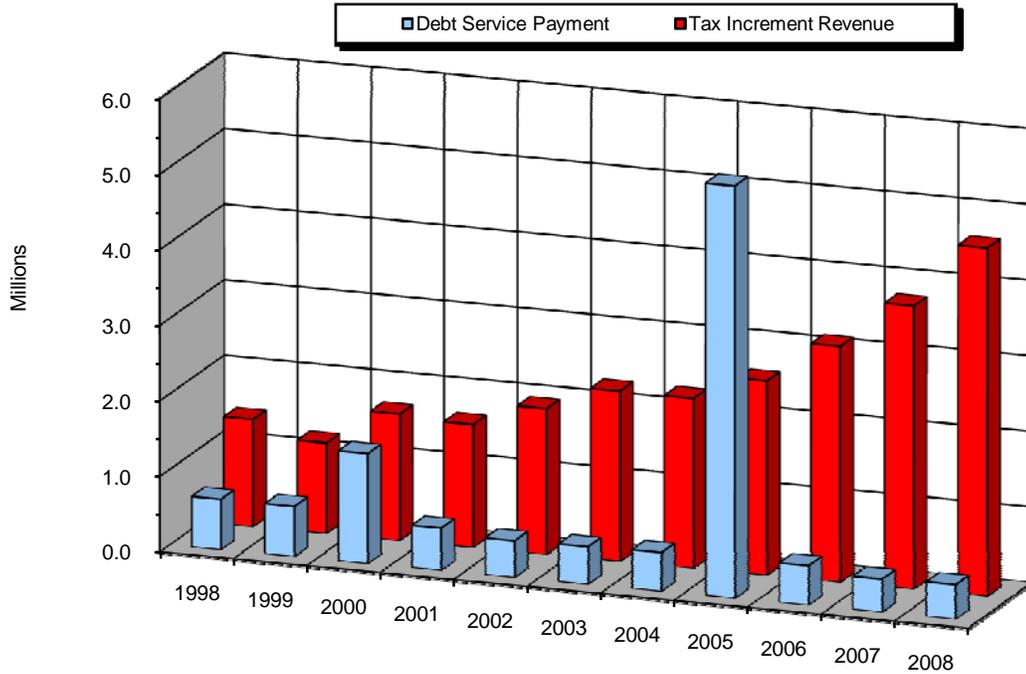
(a) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, and Connection Fees

(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

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



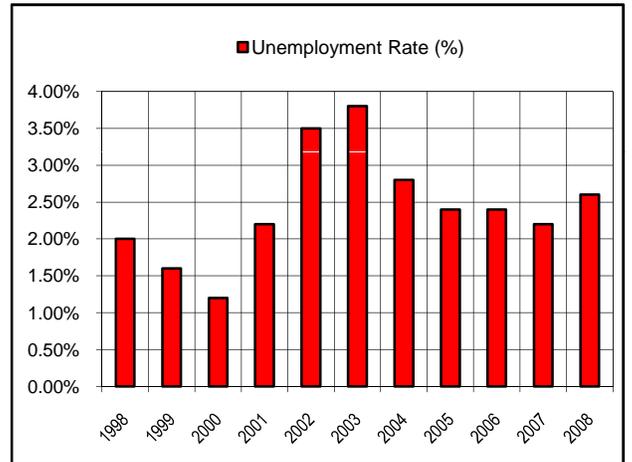
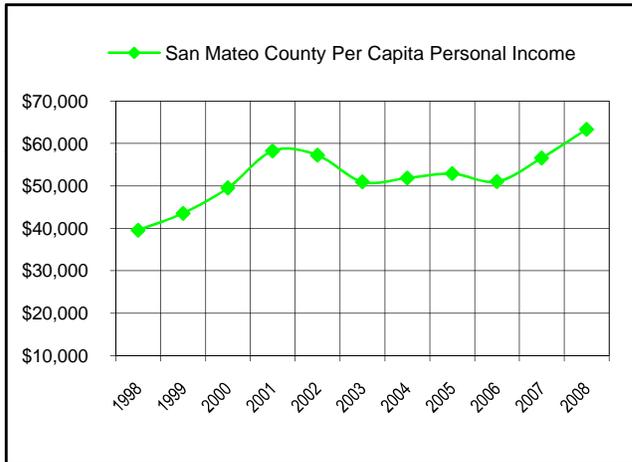
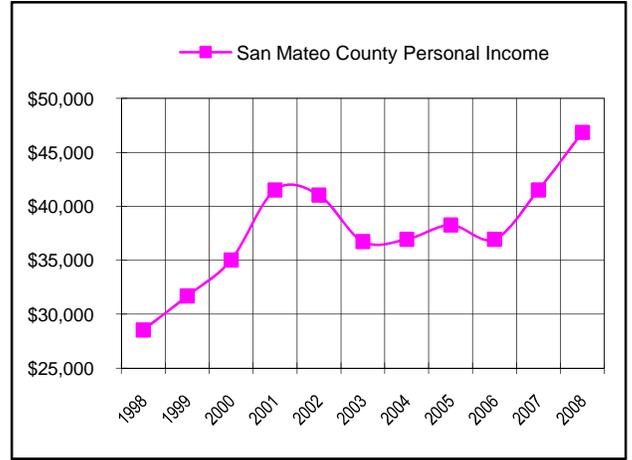
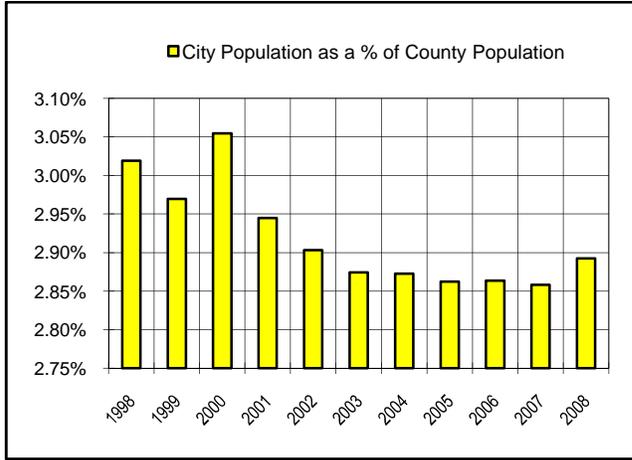
Fiscal Year	GROSS TAX INCREMENT REVENUE	Debt Service Requirements			Coverage
		Principal	Interest	TOTAL	
1998	\$1,422,878	\$180,000	\$489,166	\$669,166	2.13
1999	1,202,387	185,000	480,589	665,589	1.81
2000	1,678,181	1,005,000	451,214	1,456,214	1.15
2001	1,630,151	145,000	416,611	561,611	2.90
2002	1,931,479	75,000	411,736	486,736	3.97
2003	2,256,852	95,000	404,547	499,547	4.52
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53
2008	4,607,427	95,000	362,325	457,325	10.07

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

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	City Population	San Mateo County Population	City Population % of County	San Mateo County Personal Income	San Mateo County Per Capita Personal Income	Unemployment Rate (%)
1998	21,779	721,400	3.02%	\$28,537	\$39,558	2.0%
1999	21,597	727,300	2.97%	\$31,688	\$43,569	1.6%
2000	21,600	707,161	3.05%	\$35,028	\$49,533	1.2%
2001	20,979	712,400	2.94%	\$41,512	\$58,271	2.2%
2002	20,814	717,000	2.90%	\$41,039	\$57,237	3.5%
2003	20,714	720,630	2.87%	\$36,725	\$50,962	3.8%
2004	20,465	712,400	2.87%	\$36,941	\$51,854	2.8%
2005	20,708	723,453	2.86%	\$38,264	\$52,891	2.4%
2006	20,735	724,104	2.86%	\$36,941	\$51,016	2.4%
2007	20,965	733,496	2.86%	\$41,516	\$56,600	2.2%
2008	21,387	739,469	2.89%	\$46,847	\$63,352	2.6%

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

**CITY OF MILLBRAE
STATISTICS**

**PRINCIPAL EMPLOYERS
LAST THREE FISCAL YEARS**

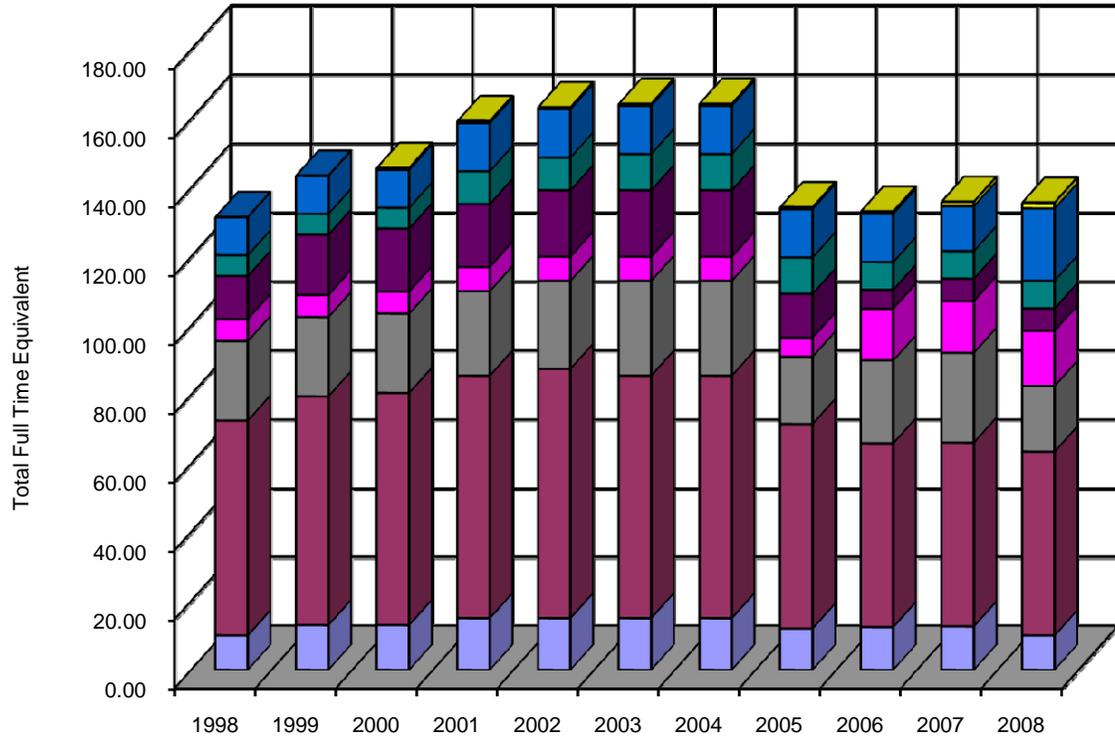
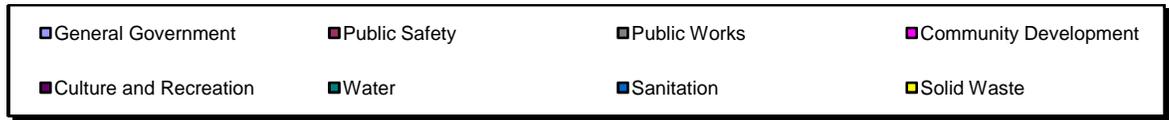
Principal Employer	2006			2007			2008		
	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment	Number of Employees	Rank	Percent of Total City Employment
City and County of San Francisco	300	1	1.4%	300	1	1.4%	300	1	1.4%
Millbrae School District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

Source: City of Millbrae Community Development Department

**CITY OF MILLBRAE
STATISTICS**

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years



Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government	10.00	13.00	13.00	15.00	15.00	15.00	15.00	12.00	12.42	12.62	10.00
Public Safety	62.50	66.50	67.50	70.50	72.50	70.50	70.50	59.50	53.50	53.50	53.50
Public Works	23.00	23.00	23.00	24.50	25.50	27.50	27.50	19.50	24.00	26.00	19.00
Community Development	6.40	6.40	6.40	7.00	7.00	7.00	7.00	5.50	15.00	15.00	16.00
Culture and Recreation	12.50	17.50	18.25	18.25	19.25	19.25	19.25	12.75	5.50	6.50	6.50
Water	6.00	6.00	6.00	9.50	9.50	10.50	10.50	10.50	8.00	8.00	8.00
Sanitation	11.00	11.00	11.00	14.00	14.00	14.00	14.00	14.00	14.00	13.00	21.00
Solid Waste			0.50	0.50	0.50	0.50	0.50	0.50	0.60	1.25	1.60
TOTAL	131.40	143.40	145.65	159.25	163.25	164.25	164.25	134.25	133.02	135.87	135.60

Source: City of Millbrae Budget Salary Schedule and Position Allocation

**CITY OF MILLBRAE
STATISTICS**

OPERATING INDICATORS BY FUNCTION / PROGRAM

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

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

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST THREE FISCAL YEARS

(Information prior to 2006 is not available)

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

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

Source: City of Millbrae / GIS System