



City of Millbrae

Millbrae, California

Comprehensive Annual Financial Report
For the Year Ended June 30, 2017

City of Millbrae

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Comprehensive Annual Financial Report

For the year ended June 30, 2017

Prepared by:
Finance Department

City of Millbrae
Comprehensive Annual Financial Report
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Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Table of Contents	i
Transmittal Letter	v
Directory of City Officials.....	xi
Organization Chart.....	xii
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association.....	xiii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	32
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	33
Statement of Revenues, Expenditures and Changes in Fund Balances.....	34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	35
Proprietary Fund Financial Statements:	
Statement of Net Position.....	38
Statement of Revenues, Expenses and Changes in Net Position.....	39
Statement of Cash Flows	40

City of Millbrae
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position.....	42
Statement of Changes in Fiduciary Net Position.....	43
Notes to Basic Financial Statements	46
Required Supplementary Information (Unaudited):	
Budgets and Budgetary Accounting.....	94
Budgetary Comparison Schedule:	
General Fund	95
Low and Moderate Income Housing Asset Fund	96
Defined Benefit Pension Plan	97
Other Postemployment Benefits	99
Supplementary Information:	
Non-Major Governmental Funds:	
Combining Balance Sheet	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	108
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	112
Internal Service Funds:	
Combining Statement of Net Position	118
Combining Statement of Revenues, Expenses and Changes in Net Position	120
Combining Statement of Cash Flows	122
<u>STATISTICAL SECTION (Unaudited)</u>	
Net Position by Component – Last Ten Fiscal Years	126
Changes in Net Position – Last Ten Fiscal Years.....	127
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	129
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	130
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	132
Property Tax Rates All Overlapping Governments – Last Ten Fiscal Years.....	133
Top Ten Property Tax Payers – Current Year 2015-16	134
Property Tax Levies and Collections – Last Ten Fiscal Years.....	135
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	136

City of Millbrae
Comprehensive Annual Financial Report
For the year ended June 30, 2017

Table of Contents

STATISTICAL SECTION (Unaudited), Continued

Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	137
Computation of Direct and Overlapping Debt.....	138
Computation of Legal Bonded Debt Margin	139
Sewer Fund Revenue Bond and Loan Coverage – Sewer Authority – Last Ten Fiscal Years.....	140
Demographic and Economic Statistics – Last Ten Calendar Years.....	141
Principal Employers – Last Ten Calendar Years	142
Full-Time Equivalent City Employees by Function/Program – Last Ten Fiscal Years	143
Operating Indicators by Function/Program.....	144
Capital Assets by Function/Program	145
Taxable Sales by Category – Last Ten Calendar Years	146
Property Tax Dollar Breakdown.....	147



City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

GINA PAPAN
Mayor

ANN SCHNEIDER
Councilmember

WAYNE J. LEE
Councilmember

ANNE OLIVA
Councilmember

REUBEN D. HOLOBER
Councilmember

December 27, 2017

**Citizens of the City of Millbrae,
Honorable Mayor, and
Honorable Members of the City Council**

We are pleased to submit the City of Millbrae Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. Through a challenging recession and ongoing economic recovery, the City has continued to take a prudent and proactive approach to secure the city financially including taking drastic cost savings measures to streamline operations and maintain service levels in the community. As a result, the City has maintained a strong financial position.

California statutes require that the City issue annually a report on the financial position of its government and business-type activities and that this report is audited by independent certified public accountants.

The 2017 audit was performed by Badawi and Associates. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City, for the fiscal year ended June 30, 2017, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards. Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Millbrae, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Millbrae

Incorporated in 1948, the City of Millbrae is located adjacent to the San Francisco International Airport and is 15 miles south of the City of San Francisco, in the heart of San Mateo County. The City encompasses 3.3 square miles and serves a largely residential population of approximately 23,200.

The City Council consists of five members, elected directly by the voters residing in the City to staggered terms of four years each. As the legislative branch of the government, the City Council makes final decisions on all major City matters. The Council adopts ordinances and resolutions necessary for efficient governmental operations, approves the budget, and acts as a board of appeals. It appoints the City Manager and City Attorney, as well as the members of the City's committees and commissions. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan.

The City of Millbrae operates under a Council-Manager form of government and provides municipal services that include law enforcement, fire protection, construction and maintenance of highways, streets and other infrastructure, community development; planning, and inspection, and management of recreational activities and cultural events. In addition, the City operates a water system, a sewer system, and flood control utility services in the enterprise (business-type) activities.

This report includes all funds of the City of Millbrae and its blended component unit, the Successor Agency to the Redevelopment Agency for the City of Millbrae, for which the City is financially accountable.

Mission, Values, and Purpose

The City of Millbrae has adopted a Mission Statement, Values, and Purposes.

City of Millbrae Mission Statement

Enhancing the quality of life in our shared community, providing great services, encouraging community engagement, fostering economic growth, and embracing cultural diversity in a safe environment.

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 are all about. We will provide products and services which meet the changing needs of the community. We will always provide services with respect, courtesy, warmth, and responsiveness.
- ***Integrity and Honesty:***
Honesty, openness, fair-dealing and the highest ethical behavior are the foundation for our work.
- ***Innovation:***
We encourage our colleagues and the public to suggest new ideas for improving our products and services, and for doing things more efficiently and effectively.
- ***Teamwork:***
Teamwork is each of us working together to reach a common goal. Teamwork is accomplished when each member contributes their unique abilities, actively communicates and supports each other.
- ***Colleagues:***
We recognize, from managers to line workers, we are colleagues working toward a common goal; accomplishment of the City's overall mission. Each of us should share in the City's success which we make possible.
- ***Pride and Enjoyment In Our Work:***
We believe our work should be a source of personal enjoyment and satisfaction. We accept the challenge and promote a work place in which pride, personal enjoyment, and satisfaction can flourish.
- ***Action Orientation:***
We are an organization which is decisive. We will act without delay, after considering alternatives and their 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 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.

Council Goals:

Each year, the City Council holds at least one meeting per year to discuss and organize the yearly goals and priorities for the City of Millbrae.

At the end of Fiscal Year 2017, the top priorities for 2017 were:

- *Make significant progress on the Millbrae Station Area Specific Plan.*
- *Initiate downtown economic development plan.*
- *Develop infrastructure process/budget plan.*
- *Make significant progress on the General Plan.*
- *Implement a public safety improvement plan.*
- *Community Center recovery and rebuild (after fire in July, 2016).*

Budget Process

The City Council establishes annual budgets for all funds. The City Council establishes goals each year and uses the annual budget process to assign resources to meet those goals and desired service levels for all programs. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The City maintains budgetary controls with the ultimate control by City Council at the fund level. Within a fund, the City Manager has discretion to transfer appropriations between departments to achieve City Council goal and policy direction. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code. For Fiscal Year 2016 – 2017 and 2017 – 2018, a two-year budget was adopted and amended during the year as needed for unanticipated projects.

The Local Economy

The City's top three general fund revenue sources are property tax, sales tax, and transient occupancy tax (TOT). In fiscal year 2017, property tax revenues increased 6% while sales tax and TOT declined slightly. The decline in economically sensitive revenues such as TOT and sales tax is of concern and should be watched closely.

The largest revenue source for the City of Millbrae is Property Tax. Year over year growth has created increases in assessed valuations and, thus, property tax revenues for local agencies. Since 2012 when State action dissolved redevelopment agencies, property values have grown steadily and have reached the levels previously collected before the dissolution of redevelopment. Between 2007 and 2016, the City of Millbrae's Assessment Roll has increased from 3.1 billion in property tax valuation to 4.9 billion. This resulted in an increase of 75% over 10 years and an increase of 6% between 2015 and 2016.

The City's second largest source of revenue is Transient Occupancy Tax (TOT). TOT declined slightly from 2016 figures. In the last 10 years, TOT has doubled primarily due to opening of new lodging establishments and growth in the local tourist and business travel sectors.

Sales tax declined slightly from fiscal year 2016. A portion of the sales tax decline is related to a clean-up payment from the State that occurred in 2016. During 2017, a new business opened at a substantial retail location. It is anticipated that this occupant will generate significant sales tax. Diversification of

the City's economic community would help to mitigate sales tax revenue fluctuations. The City's commercial base includes a mix of retail, restaurants, hotels, service businesses, and public services but sales tax is primarily driven by restaurant sales. The City also houses the multimodal transit center including the Millbrae BART Station providing a link to CalTrain, SamTrans, and the San Francisco Airport maximizing regional travel options for passengers in the San Francisco Bay Area.

The City has two significant development projects under review. Both developments are Transit Oriented Developments located near the multi-modal transit center. As the review process continues, staff is monitoring the potential economic impact of these developments.

Current Economic Conditions and Outlook

The California Employment Development Department reports that the City of Millbrae has a labor force of 12,500 and an unemployment rate of 2.6%. This is slightly lower than the San Mateo County unemployment rate of 3.0% and better than the State's rate of 5.4%. All rates are lower than the 2015 averages.

The City's economic development efforts and implementation of the City's financial policies help to promote Millbrae's long-term fiscal stability.

Financial Information

During the past fiscal year, there were no changes to the City's financial policies or items which impacted the financial information or presentation. Staff is pleased to have taken a large step forward in implementing a new Enterprise Resource Planning (ERP) system which will ultimately combine finance (including utility billing, business licenses, and payroll) and community development information into one system. Currently, the City uses a number of unique software systems to manage financial information. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the support of the auditing firm of Badawi and Associates.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



DeAnna Hilbrants
Deputy City Manager

DIRECTORY OF CITY OFFICIALS

MAYOR

Reuben D. Holober

MEMBERS OF THE CITY COUNCIL

Wayne J. Lee

Anne Oliva

Gina Papan

Ann Schneider

COUNCIL APPOINTED OFFICERS

Marcia Raines

City Manager

Joan Cassman

City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Angela Louis

City Clerk

Tonya Ward

Community Development Director

DeAnna Hilbrants

Finance Director

John Kammeyer

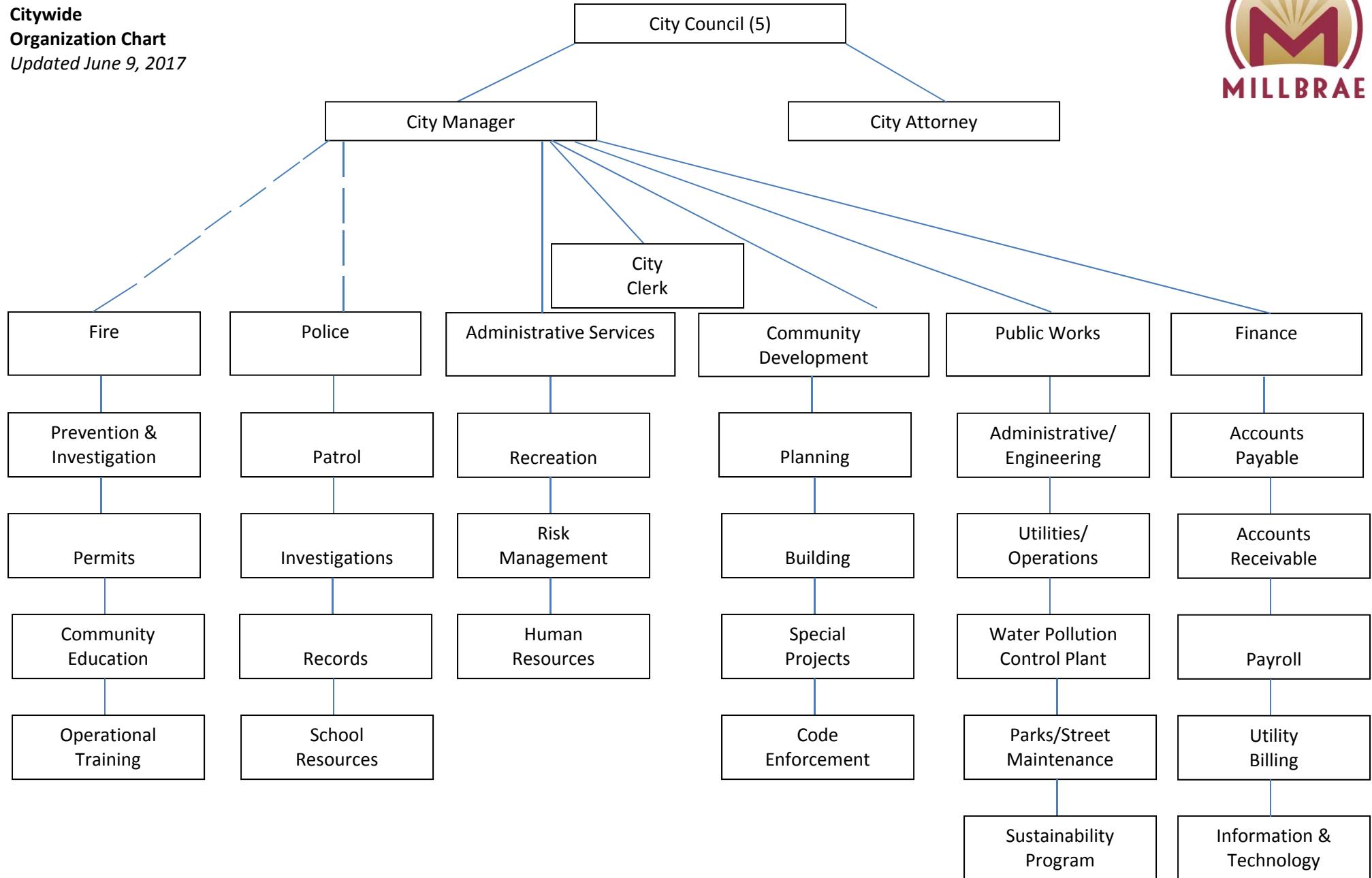
Fire Chief

Roger Copeland

Law Enforcement Services

Khee Lim

Public Works Director





Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Millbrae
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae, California (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Honorable Mayor and Members of the City Council
of the City of Millbrae
Millbrae, California
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information, and OPEB schedule of funding progress on pages 5-19 and 94-99 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules on pages 104-123 and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

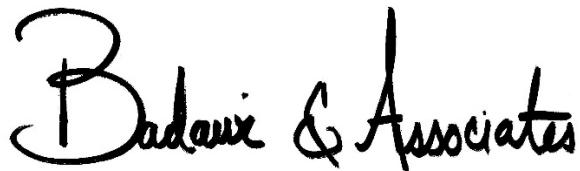
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 104-123 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 104-123 are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Honorable Mayor and Members of the City Council
of the City of Millbrae
Millbrae, California
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is fluid and cursive, with "Badawi" on the first line and "& Associates" on the second line.

Badawi and Associates
Certified Public Accountants
Oakland, California
December 27, 2017

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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, 2017. 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

- As of June 30, 2017, the City's total net position increased by \$6.2 million or 8.3% from the prior year to \$80.7 million.
- The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$80.7 million (net position). The total net position includes \$66.4 million net investment in capital assets (land, building, and equipment), \$29.8 million in restricted net position, and negative \$15.5 million in unrestricted net position.
- Primary government revenues increased \$5.1 million or 10.2% from the prior year. Primary government expenses increased \$3.5 million or 7.6%.
- The City's governmental funds reported a combined ending fund balance of \$54.5 million, an increase of \$6.2 million or 12.8% from the previous year. Approximately \$22.5 million (41%) of this amount is available for spending at the City Council's discretion (unassigned fund balance). While these funds are unassigned, in 2017, the City Council adopted a 5 year capital plan requiring use of \$19 Million primarily from fund balance.
- The City's General Fund unrestricted fund balance (total of committed, assigned, and unassigned fund balance) was \$23.1 million which represents 91% of general fund expenditures. As noted above, a significant portion of this amount was a set-aside to fund a 5 year capital improvement program.
- The City's net pension liability increased \$8.5 million or 25% from the prior year. In 2017, the City took active steps to reduce post-employment benefit liability by establishing an Other Post Employment Benefit (OPEB) Trust. As a result, the City's Net OPEB liability has decreased 64.5%.

OVERVIEW OF THE FINANCIAL STATEMENTS

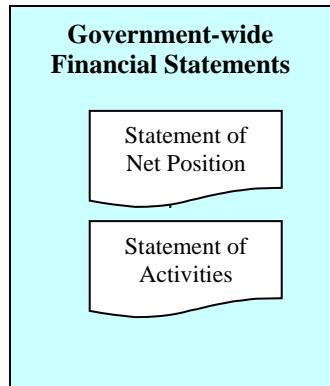
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The Government-wide Financial Statements provide a long-term view of all the City's activities, including all the capital assets and long-term liabilities. The Fund Financial Statements report the City's operations in detail and the focus is primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term liabilities. The Notes to the Basic Financial statements provide more details to the specific components of the City's operations. This report includes the required, supplementary and statistical information.

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

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

Government-wide Financial Statements

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



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

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

The City adopts an annual appropriated budget, and a budgetary comparison schedule has been provided in the required supplementary information to demonstrate compliance with the budget. Due to a system conversion, some grouping issues may have occurred resulting in the appearance of departments exceeding budget. Staff has taken action to correct those items for the next Fiscal Year.

Proprietary Funds

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

Enterprise Funds

Enterprise Funds are utilized to report the same functions presented as Business-type Activities in the Government-wide Financial Statements. Enterprise Funds are supported by fees paid by users based on the amount of services 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 Sanitary Sewer 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 insurance premiums related to general liability costs
Worker's Compensation	To account for the resources, claims, and payment of Workers' Compensation
Unemployment Insurance	To account for the accumulation, claims and payment of Unemployment Insurance
Compensated Absences (or Leave Accrual)	To account for the accumulation of earned compensation
OPEB	To account for the City's other Post-Employment Benefits

Fiduciary Funds

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

Notes to the Basic Financial Statements

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

Required Supplemental Information

This section contains the information about the City budget process including Budget versus Actual Statements for the General Fund as well as information about the City's defined benefit pension plan and OPEB funding information.

Supplementary Information

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

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve over time as a useful indicator of the Government's financial position. As shown on the following table, the City's net position was \$80.7 million as of June 30, 2017 compared to \$74.5 million at June 30, 2016. Net position for governmental activities increased \$5.8 million from \$52.1 million to \$57.9 million. A significant portion of this increase is related to insurance settlement proceeds from a fire at the Millbrae Community Center in July 2016. The remaining increase is primarily related to increased collections on property tax as well as grant revenues applied to specific projects. Net position for business-type activities increased \$400,000 primarily resulting from increased revenues in the Municipal Waste Water System Fund after a rate increase during Fiscal Year 2015 – 2016.

The largest portion of the City's net position is \$66.4 million invested in capital assets (e.g. land, buildings, and equipment) less any related outstanding debt used to acquire those assets. The City utilizes capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although, the City's investment in capital assets is reported net of related debt, it should be noted the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

The restricted portion of net position is \$29.8 million (36.9%) and represents resources that are subject to external restrictions on use. The City has a large unrestricted deficit net position due to the implementation of GASB 68. This includes the City's net pension liability of \$42.8 million. The total net pension liability increased \$8.5 million from the prior year. Further information about the impact of the implementation of GASB 68 can be found in the Notes to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION
06/30/17

	Governmental		Business-type		Total	
	Activities		Activities		2017	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	67,809,174	61,627,194	16,157,751	17,813,088	83,966,925	79,440,282
Capital assets	55,578,579	55,544,579	51,427,178	50,018,851	107,005,757	105,563,430
Total assets	123,387,753	117,171,773	67,584,929	67,831,939	190,972,682	185,003,712
Deferred outflows	4,841,720	1,638,020	2,019,177	953,104	6,860,897	2,591,124
Liabilities						
Short-Term Liabilities	2,199,988	1,861,869	1,600,568	1,583,816	3,800,556	3,445,685
Long-Term Liabilities	60,702,814	57,188,710	42,030,948	42,052,462	102,733,762	99,241,172
Other liabilities	3,376,858	2,994,588	2,822,337	2,077,278	6,199,195	5,071,866
Total liabilities	66,279,660	62,045,167	46,453,853	45,713,556	112,733,513	107,758,723
Deferred inflows	4,055,264	4,678,549	358,355	679,451	4,413,619	5,358,000
Net position:						
Net investments in capital assets	47,536,401	45,958,067	18,842,250	15,944,747	66,378,651	61,902,814
Restricted						
Debt service	1,093,505	1,055,843			1,093,505	1,055,843
Gas tax	1,198,842	1,510,848			1,198,842	1,510,848
Developer fee – operating	3,256,337	3,258,644			3,256,337	3,258,644
Housing activities	12,452,580	12,431,464			12,452,580	12,431,464
Other special programs	8,744,787	5,278,470			8,744,787	5,278,470
Measure A	3,057,969	2,685,696			3,057,969	2,685,696
Unrestricted	(19,445,872)	(20,092,955)	3,949,648	6,447,619	(15,496,224)	(13,645,336)
Total net position	57,894,549	52,086,077	22,791,898	22,392,366	80,686,447	74,478,443

The variance in net position from the previous year is depicted in the following table. Factors contributing to the variance from the prior year include:

- Revenue from Governmental Activities revenues increased \$4.3 million from \$33.4 million to \$37.7 million. This increase primarily resulted from insurance proceeds received as partial proof of loss after a fire at the Millbrae Community Center.
- The increase in expenses was primarily driven by increases in salary costs, retirement costs (as CalPERS rates have been increasing over a number of years), and contract services (including public safety).

Analysis of the Changes in Net Position

STATEMENT OF ACTIVITIES

CHANGE IN NET POSITION

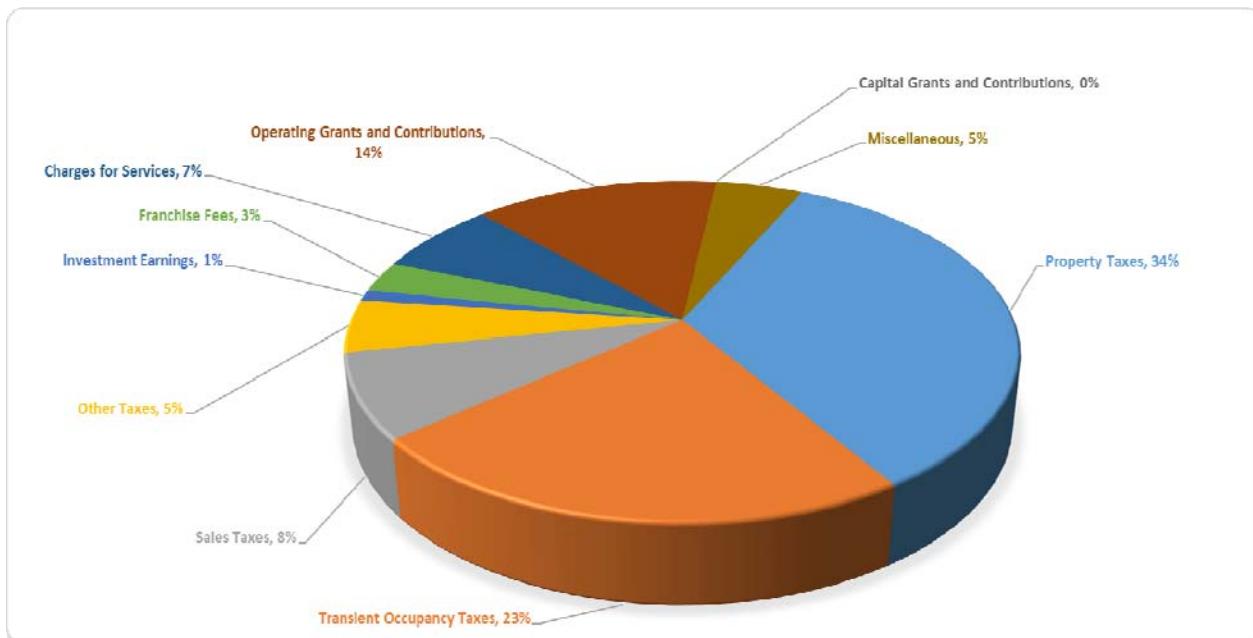
06/30/17

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	5,198,588	5,724,986			5,198,588	5,724,986
Operating contributions and grants	5,055,129	909,931	15,095	26,609	5,070,224	936,540
Municipal water system			5,731,186	6,002,669	5,731,186	6,002,669
Waste water treatment			11,189,213	9,905,856	11,189,213	9,905,856
Storm drain			262,526	253,216	262,526	253,216
	10,253,717	6,634,917	17,198,020	16,188,350	27,451,737	22,823,267
General revenues						
Property taxes	12,010,916	11,434,498			12,010,916	11,434,498
Sales taxes	2,779,906	2,804,094			2,779,906	2,804,094
Transient Occupancy Taxes	8,031,917	8,210,016			8,031,917	8,210,016
Franchise fees	1,186,264	1,113,294			1,186,264	1,113,294
Other taxes	1,270,512	1,221,422			1,270,512	1,221,422
Investment earnings	249,080	654,861	110,470	307,219	359,550	962,080
Miscellaneous	1,952,410	1,393,608			1,952,410	1,393,608
General revenues subtotal	27,481,005	26,831,793	110,470	307,219	27,591,475	27,139,012
Total Revenues	37,734,722	33,466,710	17,308,490	16,495,569	55,043,212	49,962,279
Expenses by activity						
General government	4,271,410	5,572,348			4,271,410	5,572,348
Public safety	16,341,547	12,995,918			16,341,547	12,995,918
Public works	4,325,335	3,045,390			4,325,335	3,045,390
Culture and recreation	3,311,888	3,055,355			3,311,888	3,055,355
Community development	3,009,200	3,243,300			3,009,200	3,243,300
Interest on long term debt	1,373,461	1,386,334			1,373,461	1,386,334
Municipal water system			8,395,381	8,394,183	8,395,381	8,394,183
Waste water treatment			8,351,671	8,606,845	8,351,671	8,606,845
Storm drain			779,906	338,733	779,906	338,733
Total expenses	32,632,841	29,298,645	17,526,958	17,339,761	50,159,799	46,638,406
Increase (decrease) before transfers	5,101,881	4,168,065	(218,468)	(844,192)	4,883,413	3,323,873
Special Item: Transfer of property from Successor Agency Private Purpose Trust	1,324,591				1,324,591	
Transfers	(618,000)	73,994	618,000	(73,994)		
Change in Net Position	5,808,472	4,242,059	399,532	(918,186)	6,208,004	3,323,873
Beginning Net Position, as restated	52,086,077	47,844,018	22,392,366	23,310,552	74,478,443	71,154,570
Ending Net Position (June 30)	57,894,549	52,086,077	22,791,898	22,392,366	80,686,447	74,478,443

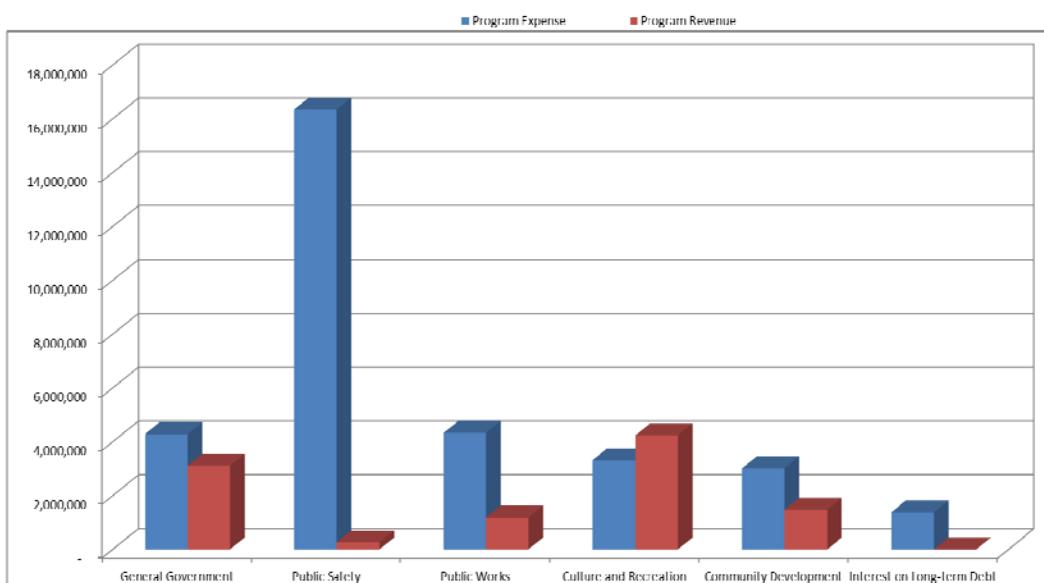
Governmental Activities

The following charts illustrate the Revenues by Source and City's Expenses and Revenues by Program, for Governmental Activities.

Governmental Activities REVENUES BY SOURCE FY 2016-2017



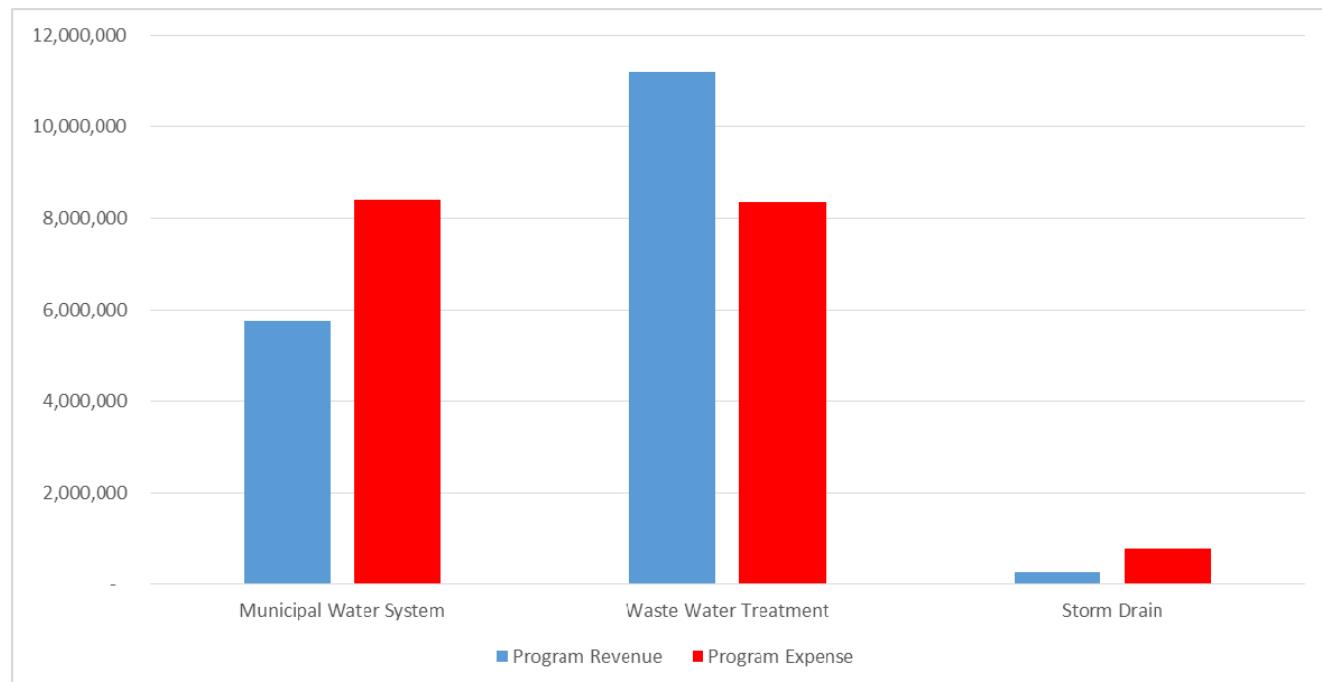
Governmental Activities PROGRAM EXPENSES AND PROGRAM REVENUES FY 2016-2017



Governmental activities increased the City's total net position by \$5.8 million. This increase was driven by the following factors:

- Revenues from government activities totaled \$37.7 million, an increase of \$4.3 million from the prior year. This increase was primarily driven by receipt of insurance proceeds which will be used towards recovery and rebuild after the 2016 fire at the Millbrae Community Center. Due to corrections to classifications of some revenue categories in the financial statements, charges for services revenue declined \$600,000, but that amount was offset by an increase of \$600,000 in miscellaneous taxes.
- Governmental activities revenues exceeded expenditures by \$2.4 million which resulted in additional increase to net position. The sources of this increase include: increased property tax revenue, ongoing budgetary controls, deferral of capital projects as attention was focused on recovery from the Millbrae Community Center Fire,
- The total cost of governmental activities in fiscal year 2017 was \$32.6 million. Of this amount, \$10.3 million was funded by charges for services and operating contributions and grants. Remaining "public benefit" expenses were funded by taxes (property tax, TOT, sales tax, franchise fees, business license tax, and other taxes) and use of property including rent and investment earnings. In some cases, taxes are restricted for use in certain programs.

Business-type Activities PROGRAM EXPENSES AND PROGRAM REVENUES FY 2016-2017



Governmental Activities

The City's net position of business activities increased \$400,000 or by 1.8% to \$22.8 million during fiscal year 2016 - 2017. Almost all revenues in these funds are based on fees and service charges. Key factors contributing to the decrease from the prior year are as follows:

- Operating revenues in the Water Enterprise Fund decreased slightly due to declining water sales related to ongoing conservation efforts by customers. At the same time, operational costs of the system were flat due to deferral of capital projects while a rate study was completed as well as

budgetary controls in operations which offset increasing wholesale water costs. In Fiscal Year 2018, the City completed a water rate study which will recover increased costs of water and provide funding for capital projects.

- Operating revenues in the Municipal Wastewater Fund increased primarily due the implementation of a Sewer System Overflow (SSO) charge to fund environmental improvements to keep the bay clean as well as annual increases in wastewater rates adopted in 2015. While operating expenses declined slightly, it is anticipated that capital expenses will increase significantly in the upcoming years to meet provisions of the Baykeeper Consent Decree, a court action requiring certain actions on the part of the City to reduce overflows of the sanitary sewer system during significant wet weather events.
- Business-type activities are intended to be self-sustaining wherein rate-based revenues charged to customers support the operating costs of the funds. While the Storm Drain fund is classified as a business-type activity, the fund is not self-sustaining and requires transfers from the General Fund. This is a common problem among municipalities in San Mateo County, as tax revenues for storm drains are capped by the State Constitution under the provisions of Proposition 218. Because storm drain related expenses are increasing due to increased environmental regulations designed to keep the bay clean, it is expected that the General Fund contribution towards storm drains will grow over time. For Fiscal Year 2017, the transfers from the General Fund and other Enterprise Funds to the Storm Drain Fund increased to almost \$1 million.

GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

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

Governmental Funds

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

The types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

At the end of fiscal year 2016-2017 the City's Governmental Funds reported a combined ending Fund Balance (including restricted funds and funds set aside for emergencies or economic downturn) of \$54.5 million. This represents an increase of \$6.2 million (12.8%) over the prior year ending balance of \$48.3 million.

The General Fund is the chief operating fund of the City. The total General Fund fund balance including amounts set aside for emergencies and economic downturn is \$24.5 Million. As a measure of liquidity, both unassigned and assigned fund balance can be compared to total fund expenditures. Unassigned fund balance totals \$22.7 million or 89% of total general fund expenditures. Of this amount, \$8.5 Million was allocated in the 2017 – 2018 budget primarily to fund a capital improvement program to replace aging infrastructure. In 2016, the City Council adopted a five year capital plan requiring an additional \$12 Million in funding over the next three years.

Comparative Analysis of Changes in Governmental Fund Balances

Governmental Funds

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE 06/30/17

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change In Net Fund Balances		Ending Fund Balances	
	2017	2016	2017	2016	2017	2016	2017	2016
General Fund	29,743,375	28,470,034	27,315,224	23,844,991	2,428,151	4,625,043	24,546,016	22,117,865
Low and Moderate Income Housing	21,116	19,544	-	2,011	21,116	17,533	12,452,580	12,431,464
Other Governmental Funds	9,878,711	6,308,728	6,131,805	5,550,395	3,746,906	758,333	17,519,419	13,772,513
TOTAL	39,643,202	34,798,306	33,447,029	29,397,397	6,196,173	5,400,909	54,518,015	48,321,842

Revenue and Expense Comparison

The Fund Balance in the General Fund increased by \$2.4 million. General Fund revenues exceeded expenditures (excluding transfers) by \$3.8 million. Transfers from the general fund totaling \$1.8 million were related to debt service payments, capital program costs, operating deficits in other funds and internal service funds.

The Low and Moderate Income Housing Asset Fund accounts for activities related to affordable housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The fund had an ending fund balance of \$12.5 million, increasing by \$21,116 during the current fiscal year, primarily resulting from investments (interest earnings). The fund balance reflects funds loaned in the past for affordable housing projects.

Non-Major Government Funds: Other Governmental Funds have a combined ending fund balance of \$17.5 million, an increase of \$3.7 million over the prior year ending balance. This increase is primarily related to insurance settlement proceeds from the fire at the Millbrae Community Center in July 2016. Most of these funds are set aside for costs of rebuilding a new community center.

The following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance for fiscal year 2016 - 2017 compared to the previous fiscal year. Primary drivers for increases in expenses were increased public safety contract costs, increased costs for salaries and retirement benefits, and costs associated with the Millbrae Community Center Fire. Most of the costs associated with the community center fire have been recovered from insurance proceeds.

The following table presents a summary of actual revenues and other financing sources, expenditures, and the results of operations for the current 2016 - 2017 fiscal year compared to the prior fiscal year.

GENERAL FUND
REVENUE AND EXPENDITURE COMPARISON
06/30/17

	General	Dollar	Percentage	
	Fund			
	2017	2016		
REVENUES				
Property Taxes	11,378,840	10,798,190	580,650	5.38%
Sales Tax	2,779,906	2,804,094	(24,188)	-0.86%
Transient Occupancy Tax	8,031,917	8,210,016	(178,099)	-2.17%
Franchise Fees	1,186,264	1,113,294	72,970	6.55%
Other Taxes	727,870	698,144	29,726	4.26%
Licenses and Permits	571,875	626,475	(54,600)	-8.72%
Charges for Services	807,500	1,327,947	(520,447)	-39.19%
Fines and Forfeitures	1,550,814	1,584,307	(33,493)	-2.11%
Use of Money and Property	837,728	719,189	118,539	16.48%
Grants and Intergovernmental	812,825	170,856	641,969	375.74%
Miscellaneous	624,343	161,935	462,408	285.55%
Total Revenues	29,309,882	28,214,447	1,095,435	3.88%
EXPENDITURES				
General Government	3,744,848	4,893,407	(1,148,559)	-23.47%
Public Safety	13,759,054	12,188,872	1,570,182	12.88%
Public Works	2,603,344	1,227,036	1,376,308	112.17%
Culture and Recreation	1,646,587	1,290,755	355,832	27.57%
Community Development	2,278,617	2,029,613	249,004	12.27%
Capital Outlay	1,461,952	883,886	578,066	65.40%
Total Expenditures	25,494,402	22,513,569	2,980,833	13.24%
OTHER FINANCING SOURCES (USES)				
Transfers In	433,493	255,587	177,906	
Transfers Out	(1,820,822)	(1,331,422)	(489,400)	
Total Other Financing Sources (Uses)	(1,387,329)	(1,075,835)	(311,494)	
NET CHANGE IN FUND BALANCE	2,428,151	4,625,043		
BEGINNING FUND BALANCE	22,117,865	17,492,822		
ENDING FUND BALANCE	24,546,016	22,117,865		

Proprietary Funds

Proprietary Funds are comprised of enterprise funds and internal service funds. The City's Proprietary Fund Statements provide the same type of information found in the Government-wide Financial Statements under *Business-type Activities* column, but include greater details into the nature and extent of various revenue and expense categories.

The City operates three enterprise (business-type) activities: municipal water system, wastewater fund, and storm drain fund. Total enterprise net position at the end of Fiscal Year 2017 was \$23.7 million.

The following table shows actual revenues, expenses and results of operations (change in net position) for the fiscal year 2016 - 2017. Primary reasons for the changes in net position are discussed in the previous section under Analysis of the Change in Net Position.

PROPRIETARY FUNDS

06/30/17

	Operating		Income (Loss)	Non-Operating		Change In Net Position
	Operating Revenues	Operating Expenses		Revenues (Expenses)	Transfers In (Out)	
Municipal Water System	5,731,186	8,061,916	(2,330,730)	10,527	(186,001)	(2,506,204)
Wastewater Fund	11,189,213	7,147,980	4,041,233	(734,330)	(185,999)	3,120,904
Storm Drain	262,526	634,336	(371,810)	(65,351)	990,000	552,839
Internal Service Funds	1,902,819	4,566,736	(2,663,917)	116,339	-	(2,547,578)
TOTAL	<u>19,085,744</u>	<u>20,410,968</u>	<u>(1,325,224)</u>	<u>(672,815)</u>	<u>618,000</u>	<u>(1,380,039)</u>

The net position of the Internal Service Funds decreased approximately \$2.5 million. This decrease was primarily related to a transfer of fund from the City's OPEB Fund to a third party OPEB trust fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual revenues exceeded budget projections by \$700,000. Expenditures were below budget by \$3.5 million. Expenses below budget were related to deferred spending on capital projects and operational savings such as salary savings from vacant positions. Due to a system conversion issue, some grouping issues may have occurred resulting in the appearance of expenses exceeding budget in some categories.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION 06/30/17

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	14,298,260	14,298,260	1,500,500	1,500,500	15,798,760	15,798,760
Construction in Progress	1,367,435	747,467	386,897	696,610	1,754,332	1,444,077
Buildings and Improvements	13,809,841	14,816,944	35,140,508	35,998,817	48,950,349	50,815,761
Furniture, Fixtures and Equipment	1,470,256	1,678,484	2,924,626	3,229,003	4,394,882	4,907,487
Automobiles and Trucks	1,146,919	993,621		491	1,146,919	994,112
Infrastructure	23,485,867	23,009,803	11,474,647	8,593,430	34,960,514	31,603,233
TOTAL	55,578,578	55,544,579	51,427,178	50,018,851	107,005,756	105,563,430

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2017, increased slightly due to addition of capital assets during the year offset by the retirements and disposals of capital assets in both governmental and business-type activities during the year. Additional information about the City's capital assets can be found in Note 5 to the Financial Statements.

Debt Administration

As of June 30, 2017, the City had total long-term debt outstanding of \$58.6 million. This includes \$24.8 million related to Governmental Activities and \$33.8 million related to Business-type Activities.

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

The following table summarizes the City's outstanding long-term debt at June 30, 2017 in comparison to the prior year. Additional information about the City's Long Term Debt can be found in Note 7 to the Financial Statements.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
2004 Pension Obligation Bonds	13,880,379	13,991,203			13,880,379	13,991,203
2011 Police Remodel Lease Revenue Refunding Bonds (Direct Lender Tax Exempt Lease)	1,556,000	1,743,000			1,556,000	1,743,000
2013 General Obligation Refunding Bonds	8,990,000	9,190,000			8,990,000	9,190,000
Premium, net of amortization	376,768	396,512			376,768	396,512
2009 State Water Resources Board						
Water Pollution Control Plant			21,968,680	23,319,946	21,968,680	23,319,946
2009A Certificate of Participation:						
Wastewater Plant			5,560,000	5,560,000	5,560,000	5,560,000
2009B Wastewater Revenue Certificate of Participation						
Premium, net of amortization			6,215,000	6,390,000	6,215,000	6,390,000
TOTAL	<u>24,803,147</u>	<u>25,320,715</u>	<u>33,836,167</u>	<u>35,366,558</u>	<u>58,639,314</u>	<u>60,687,273</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As discussed in the transmittal letter accompanying this report, the local economy continues to be driven by low unemployment and a strong real estate market. The City's average unemployment rate for calendar year 2016 was 2.6% which is lower than that of San Mateo County (3.0%) and the State of California (5.4%). The local job market fuels demand for real estate and property values continue to climb. The economy of the City is further discussed in the accompanying Transmittal Letter.

This robust economy continues to contribute to an increased revenue base for the General Fund. While revenues continue to improve, the City's financial status is challenged by rising costs especially labor, healthcare, and pension costs. The City is also actively working to fund long term liabilities including infrastructure and facility needs as well as unfunded post-employment benefit liabilities (retirement benefits and medical costs for retirees).

For 2016 – 2017, the City is in the second year of a two-year budget cycle. In order to fund a vigorous capital improvement program, the City budgeted the use of unassigned fund balance, a prudent use of funds available from increases in economically sensitive revenues and one time savings. The Council will continue to evaluate options to maintain financial security into the future.

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.

Please direct any questions or comments you may have or requests for additional information regarding this report to:

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

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**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Millbrae
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 48,622,835	\$ 11,909,073	\$ 60,531,908
Cash with fiscal agent	3,757	1,251,239	1,254,996
Receivables:			
Taxes	1,698,560	-	1,698,560
Accounts - net	506,915	3,862,729	4,369,644
Accrued interest	181,876	4,659	186,535
Due from other governmental agencies	883,146	-	883,146
Internal balances	869,949	(869,949)	-
Prepaid items	1,473,046	-	1,473,046
Total current assets	54,240,084	16,157,751	70,397,835
Noncurrent assets:			
Land held for resale	1,911,814	-	1,911,814
Loans and notes receivable	11,657,276	-	11,657,276
Capital assets:			
Non-depreciable	15,665,695	1,887,397	17,553,092
Depreciable, net	39,912,884	49,539,781	89,452,665
Total capital asset	55,578,579	51,427,178	107,005,757
Total noncurrent assets	69,147,669	51,427,178	120,574,847
Total assets	123,387,753	67,584,929	190,972,682
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	1,622,817	711,708	2,334,525
Deferred outflows of resources - pension	3,218,903	1,307,469	4,526,372
Total deferred outflows of resources	4,841,720	2,019,177	6,860,897
LIABILITIES			
Current liabilities:			
Accounts payable	2,549,316	1,993,184	4,542,500
Interest payable	184,622	188,601	373,223
Deposits payable	392,414	640,552	1,032,966
Unearned revenue	250,506	-	250,506
Compensated absences - due within one year	54,023	55,791	109,814
Accrued self-insurance - due within one year	668,965	-	668,965
Long-term debt - due within one year	1,477,000	1,544,777	3,021,777
Total current liabilities	5,576,846	4,422,905	9,999,751
Noncurrent liabilities:			
Compensated absences - due in more than one year	486,196	502,116	988,312
Accrued self-insurance - due in more than one year	1,834,000	-	1,834,000
Net OPEB obligation	1,525,020	-	1,525,020
Net pension liability	33,531,451	9,237,442	42,768,893
Long-term debt - due in more than one year	23,326,147	32,291,390	55,617,537
Total noncurrent liabilities	60,702,814	42,030,948	102,733,762
Total liabilities	66,279,660	46,453,853	112,733,513
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	4,055,264	358,355	4,413,619
Total deferred inflows of resources	4,055,264	358,355	4,413,619
NET POSITION			
Net investment in capital assets	47,536,401	18,842,250	66,378,651
Restricted for:			
Debt service	1,093,505	-	1,093,505
Gas tax	1,198,842	-	1,198,842
Developer fee (Millbrae station area development projects)	3,256,337	-	3,256,337
Housing activities	12,452,580	-	12,452,580
Other special programs	8,744,787	-	8,744,787
Measure A	3,057,969	-	3,057,969
Total restricted	29,804,020	-	29,804,020
Unrestricted	(19,445,872)	3,949,648	(15,496,224)
Total net position	\$ 57,894,549	\$ 22,791,898	\$ 80,686,447

See accompanying Notes to Basic Financial Statements.

City of Millbrae
Statement of Activities
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues					Total					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions								
Primary Government:												
Governmental activities:												
General government	\$ 4,271,410	\$ 2,400,726	\$ 704,376	\$ -	\$ -	\$ 3,105,102						
Public safety	16,341,547	256,725	-	-	-	256,725						
Public works	4,325,335	662,269	518,029	-	-	1,180,298						
Culture and recreation	3,311,888	569,481	3,669,344	-	-	4,238,825						
Community Development	3,009,200	1,309,387	163,380	-	-	1,472,767						
Interest on long-term debt	1,373,461	-	-	-	-	-						
Total governmental activities	32,632,841	5,198,588	5,055,129	-	-	10,253,717						
Business-type activities:												
Municipal water system	8,395,381	5,731,186	15,095	-	-	5,746,281						
Municipal waste water treatment facility	8,351,671	11,189,213	-	-	-	11,189,213						
Storm drain	779,906	262,526	-	-	-	262,526						
Total business-type activities	17,526,958	17,182,925	15,095	-	-	17,198,020						
Total primary government	\$ 50,159,799	\$ 22,381,513	\$ 5,070,224	\$ -	\$ -	\$ 27,451,737						

General Revenues:

Taxes:

Property taxes
 Sales taxes
 Transient occupancy taxes
 Franchise fees
 Other taxes
 Miscellaneous

Total taxes

Investment earnings

Transfers

Special item:

Transfer of property from Successor Agency Private Purpose Trust

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,166,308)	\$ -	\$ -
(16,084,822)	-	-
(3,145,037)	-	-
926,937	-	-
(1,536,433)	-	-
(1,373,461)	-	-
<u>(22,379,124)</u>	<u>-</u>	<u>-</u>
-	(2,649,100)	(2,649,100)
-	2,837,542	2,837,542
-	(517,380)	(517,380)
-	(328,938)	(328,938)
<u>(22,379,124)</u>	<u>(328,938)</u>	<u>(22,708,062)</u>
12,010,916	-	12,010,916
2,779,906	-	2,779,906
8,031,917	-	8,031,917
1,186,264	-	1,186,264
1,270,512	-	1,270,512
<u>1,952,410</u>	<u>-</u>	<u>1,952,410</u>
27,231,925	-	27,231,925
249,080	110,470	359,550
(618,000)	618,000	-
1,324,591	-	1,324,591
<u>28,187,596</u>	<u>728,470</u>	<u>28,916,066</u>
5,808,472	399,532	6,208,004
<u>52,086,077</u>	<u>22,392,366</u>	<u>74,478,443</u>
<u>\$ 57,894,549</u>	<u>\$ 22,791,898</u>	<u>\$ 80,686,447</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

City of Millbrae

Balance Sheet

Governmental Funds

June 30, 2017

	Major Funds				
	Low and Moderate Income Housing Asset Fund		Non-Major Governmental Funds	Total Governmental Funds	
	General				
ASSETS					
Cash and investments	\$ 22,355,858	\$ 208,126	\$ 18,122,181	\$ 40,686,165	
Cash with fiscal agent	-	-	3,757	3,757	
Receivables:					
Taxes	1,600,937	-	97,623	1,698,560	
Accounts - net	279,810	-	208,467	488,277	
Accrued interest	181,876	-	-	181,876	
Due from other governmental agencies	852,432	-	16,488	868,920	
Loans	-	11,657,276	-	11,657,276	
Due from other funds	25,527	-	-	25,527	
Prepaid items	1,473,046	-	-	1,473,046	
Land held for resale	-	587,223	-	587,223	
Total assets	\$ 26,769,486	\$ 12,452,625	\$ 18,448,516	\$ 57,670,627	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued payroll	\$ 1,793,653	\$ 45	\$ 690,467	\$ 2,484,165	
Deposits	225,486	-	166,928	392,414	
Due to other funds	-	-	25,527	25,527	
Unearned revenue	204,331	-	46,175	250,506	
Total liabilities	2,223,470	45	929,097	3,152,612	
Fund Balances:					
Nonspendable	1,473,046		-	1,473,046	
Restricted		12,452,580	17,351,440	29,804,020	
Assigned	356,744		296,333	653,077	
Unassigned	22,716,226	-	(128,354)	22,587,872	
Total fund balances	24,546,016	12,452,580	17,519,419	54,518,015	
Total liabilities and fund balances	\$ 26,769,486	\$ 12,452,625	\$ 18,448,516	\$ 57,670,627	

See accompanying Notes to Basic Financial Statements.

City of Millbrae

Reconciliation of the Governmental Funds Balance Sheet

to the Government-Wide Statement of Net Position

June 30, 2017

Total Fund Balances - Total Governmental Funds	\$ 54,518,015
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Amounts reported for Governmental Activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Non-depreciable (net of real estate held for resale in special revenue funds)	16,990,286
Depreciable, net of accumulated depreciation (and net of internal service fund capital assets of \$1,245,642)	38,667,242

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.

(184,622)

Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds

(1,525,020)

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. The amount of deferred contribution, net of internal service fund amount is:

1,588,347

In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded. The following are the amount, net of internal service funds amount:

Deferred outflows of resources - pension	3,155,580
Deferred inflows of resources - pension	(4,037,907)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Long-term liabilities - due within one year:

Long-term debt	(1,477,000)
Long-term liabilities - due in more than one year:	

Net pension liability, net of internal service fund amount	(33,084,061)
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Long-term debt	(23,326,147)
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Internal service funds are used to charge the costs of certain services such as risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.

6,609,836

Net Position of Governmental Activities	\$ 57,894,549
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See accompanying Notes to Basic Financial Statements.

City of Millbrae

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2017

	Major Funds					
	General Fund	Low and Moderate Income Housing Asset Fund	Non-Major Governmental Funds			
REVENUES:						
Property tax	\$ 11,378,840	\$ -	\$ 632,076	\$ 12,010,916		
Sales tax	2,779,906	-	-	2,779,906		
Transient occupancy tax	8,031,917	-	-	8,031,917		
Franchise fees	1,186,264	-	-	1,186,264		
Other taxes	727,870	-	999,508	1,727,378		
Licenses and permits	571,875	-	40,404	612,279		
Charges for services	807,500	-	1,629,813	2,437,313		
Fines and forfeitures	1,550,814	-	-	1,550,814		
Use of money and property	837,728	18,760	99,813	956,301		
Grants and intergovernmental	812,825	-	142,518	955,343		
Miscellaneous	624,343	-	1,102,690	1,727,033		
Total revenues	29,309,882	18,760	4,646,822	33,975,464		
EXPENDITURES:						
Current:						
General government	3,744,848	-	3,009	3,747,857		
Public safety	13,759,054	-	-	13,759,054		
Public works	2,603,344	-	1,178,748	3,782,092		
Culture and recreation	1,646,587	-	1,542,882	3,189,469		
Community development	2,278,617	-	572,045	2,850,662		
Capital outlay	1,461,952	-	875,095	2,337,047		
Debt service:						
Principal	-	-	1,417,000	1,417,000		
Interest, and fiscal charges	-	-	479,177	479,177		
Total expenditures	25,494,402	-	6,067,956	31,562,358		
REVENUES OVER (UNDER) EXPENDITURES	3,815,480	18,760	(1,421,134)	2,413,106		
OTHER FINANCING SOURCES (USES):						
Proceeds from insurance	-	-	4,401,067	4,401,067		
Transfers in	433,493	2,356	830,822	1,266,671		
Transfers out	(1,820,822)	-	(63,849)	(1,884,671)		
Total other financing sources (uses)	(1,387,329)	2,356	5,168,040	3,783,067		
Net change in fund balances	2,428,151	21,116	3,746,906	6,196,173		
FUND BALANCES:						
Beginning of year	22,117,865	12,431,464	13,772,513	48,321,842		
End of year	\$ 24,546,016	\$ 12,452,580	\$ 17,519,419	\$ 54,518,015		

See accompanying Notes to Basic Financial Statements.

City of Millbrae**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the year ended June 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 6,196,173

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

Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities, the cost of those assets will be allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period net of \$330,676 capital asset additions recorded in the internal service funds.

2,391,457

Donated capital assets and capital assets contributed by fiduciary funds are reflected in the Government-Wide Statement of Activities as capital contributions. However capital contributions related to these capital assets are not reported in governmental funds as capital assets are not considered current financial resources.

1,324,591

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount was recorded as depreciation expense in the current year net of \$182,573 that was recorded in the internal service funds.

(1,670,886)

Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, it was not reported as expenditures in the Governmental Funds.

(785,684)

Current year employer pension contributions are recorded as expenditures in the governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. The amount of pension contribution, net of internal service fund amount is:

1,588,347

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.

(4,726,247)

Expenses to accrue for the OPEB liability (asset) and the unpaid interest to long-term debt are reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds.

Net change in OPEB obligation 2,774,000

Unpaid interest added to long-term debt (919,175)

Bond proceeds provided current financial resources to Governmental Funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Long-term debt repayments 1,417,000

Proceeds and premiums/discounts on issuance of debt are recorded as revenues/expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and reported as long-term debt and the premium/discounts are amortized over the life of the debt.

19,743

Revenues that are not considered to be available are reported as unavailable revenues in the governmental funds, however these amounts are recognized in the Government-Wide Statement of Activities. This amount represents the change in unavailable revenues.

(26,424)

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year.

5,148

Internal service funds are used to charge the costs of certain services such as risk management to individual funds. The net revenue of the internal service funds is reported with governmental activities.

(1,779,571)

Change in Net Position of Governmental Activities

\$ 5,808,472

See accompanying Notes to Basic Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

Municipal Wastewater Fund accounts for activities related to providing sanitary sewer and wastewater treatment services to Millbrae residents and businesses.

Storm Drain Fund accounts for resources and costs of maintenance and improvements of the City's storm drains

Internal Service Funds account for the City operations financing 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 to other City funds be financed through user charges to those funds.

City of Millbrae
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities				Enterprise Funds		Governmental Activities - Internal Service Funds	
	Municipal Water System	Municipal Wastewater Fund	Non-major Storm Drain	Total				
ASSETS								
Current assets:								
Cash and investments	\$ 719,535	\$ 10,584,492	\$ 605,046	\$ 11,909,073	\$ 7,936,670			
Cash with fiscal agents	-	1,251,239	-	1,251,239	-			
Receivables:								
Accounts - net	1,501,930	2,357,028	3,771	3,862,729	18,638			
Accrued interest	-	4,659	-	4,659	-			
Due from other governmental agencies	-	-	-	-	14,226			
Total current assets	<u>2,221,465</u>	<u>14,197,418</u>	<u>608,817</u>	<u>17,027,700</u>	<u>7,969,534</u>			
Noncurrent assets:								
Capital assets:								
Non-depreciable capital assets	329,710	1,551,927	5,760	1,887,397	-			
Depreciable capital assets, net	<u>9,161,746</u>	<u>39,950,157</u>	<u>427,878</u>	<u>49,539,781</u>	<u>1,245,642</u>			
Total capital assets	<u>9,491,456</u>	<u>41,502,084</u>	<u>433,638</u>	<u>51,427,178</u>	<u>1,245,642</u>			
Total noncurrent assets	<u>9,491,456</u>	<u>41,502,084</u>	<u>433,638</u>	<u>51,427,178</u>	<u>1,245,642</u>			
Total assets	<u>11,712,921</u>	<u>55,699,502</u>	<u>1,042,455</u>	<u>68,454,878</u>	<u>9,215,176</u>			
DEFERRED OUTFLOWS OF RESOURCES								
Deferred employer pension contributions	286,415	413,803	11,490	711,708	34,470			
Pension related amounts	<u>526,169</u>	<u>760,192</u>	<u>21,108</u>	<u>1,307,469</u>	<u>63,323</u>			
Total deferred outflows of resources	<u>812,584</u>	<u>1,173,995</u>	<u>32,598</u>	<u>2,019,177</u>	<u>97,793</u>			
LIABILITIES								
Current liabilities:								
Accounts payable and accrued payroll	\$ 1,381,611	\$ 592,418	\$ 19,155	\$ 1,993,184	\$ 65,151			
Interest payable	-	188,601	-	188,601	-			
Deposits	548,756	91,796	-	640,552	-			
Compensated absences - due within one year	20,593	31,560	3,638	55,791	54,023			
Accrued self insurance - due within one year	-	-	-	-	668,965			
Long-term debt - due within one year	-	1,544,777	-	1,544,777	-			
Total current liabilities	<u>1,950,960</u>	<u>2,449,152</u>	<u>22,793</u>	<u>4,422,905</u>	<u>788,139</u>			
Noncurrent liabilities:								
Compensated absences - due in more than one year	185,340	284,037	32,739	502,116	486,196			
Accrued self-insurance - due in more than one year	-	-	-	-	1,834,000			
Net pension liability	3,717,454	5,370,857	149,131	9,237,442	447,390			
Long-term debt - due in more than one year	-	32,291,390	-	32,291,390	-			
Total noncurrent liabilities	<u>3,902,794</u>	<u>37,946,284</u>	<u>181,870</u>	<u>42,030,948</u>	<u>2,767,586</u>			
Total liabilities	<u>5,853,754</u>	<u>40,395,436</u>	<u>204,663</u>	<u>46,453,853</u>	<u>3,555,725</u>			
DEFERRED INFLOWS OF RESOURCES								
Pension related amounts	144,214	208,356	5,785	358,355	17,357			
Total deferred inflows of resources	<u>144,214</u>	<u>208,356</u>	<u>5,785</u>	<u>358,355</u>	<u>17,357</u>			
NET POSITION								
Net investment in capital assets	9,491,456	8,917,156	433,638	18,842,250	1,245,642			
Unrestricted	(2,963,919)	7,352,549	430,967	4,819,597	4,494,245			
Total net position	<u>\$ 6,527,537</u>	<u>\$ 16,269,705</u>	<u>\$ 864,605</u>	<u>\$ 23,661,847</u>	<u>\$ 5,739,887</u>			

Some amounts reported for business-type activities in the Statement of Net Position are different because of certain internal service fund assets and liabilities are included with business-type activities

\$ (869,949)

Net position business-type activities

\$ 22,791,898

See accompanying Notes to Basic Financial Statements.

City of Millbrae

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the year ended June 30, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Municipal Water System	Municipal Wastewater Fund	Non-Major Storm Drain	Total	
OPERATING REVENUES:					
Water Sales	\$ 5,718,599	\$ -	\$ -	\$ 5,718,599	\$ -
Sewer service fees	-	11,189,213	-	11,189,213	-
Interdepartmental charges	-	-	-	-	1,884,724
Storm drain fees	-	-	243,635	243,635	-
Miscellaneous	12,587	-	18,891	31,478	18,095
Total operating revenues	5,731,186	11,189,213	262,526	17,182,925	1,902,819
OPERATING EXPENSES:					
Personnel services	2,290,036	3,376,640	230,577	5,897,253	3,374,616
Contractual services	519,595	1,336,435	264,938	2,120,968	192,669
Materials, supplies and other services	598,793	869,409	81,070	1,549,272	95,490
Water purchases	4,228,888	-	-	4,228,888	-
Depreciation	282,997	1,144,395	38,873	1,466,265	268,220
Utilities	48,711	278,879	8,137	335,727	-
Insurance premiums and claims	92,896	142,222	10,741	245,859	635,741
Total operating expenses	8,061,916	7,147,980	634,336	15,844,232	4,566,736
OPERATING INCOME	(2,330,730)	4,041,233	(371,810)	1,338,693	(2,663,917)
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	21,694	85,357	3,418	110,469	70,961
Interest expense and fiscal charges	-	(819,651)	-	(819,651)	-
Gain (loss) on sale	(26,262)	(36)	(68,769)	(95,067)	45,378
Grants	15,095	-	-	15,095	-
Total nonoperating revenues (expenses)	10,527	(734,330)	(65,351)	(789,154)	116,339
INCOME (LOSS) BEFORE TRANSFERS	(2,320,203)	3,306,903	(437,161)	549,539	(2,547,578)
Transfers in	-	-	990,000	990,000	-
Transfers out	(186,001)	(185,999)	-	(372,000)	-
Total transfers	(186,001)	(185,999)	990,000	618,000	-
Change in net position	(2,506,204)	3,120,904	552,839	1,167,539	(2,547,578)
NET POSITION					
Beginning of year	9,033,741	13,148,801	311,766		8,287,465
End of year	\$ 6,527,537	\$ 16,269,705	\$ 864,605		\$ 5,739,887
Some amounts are 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				(768,007)	
Change in net position of business-type activities				\$ 399,532	

See accompanying Notes to Basic Financial Statements.

City of Millbrae
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Fund
	Municipal Water System	Municipal Wastewater Fund	Non-Major Storm Drain	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from others	\$ 12,587	\$ -	\$ -	\$ -	\$ 3,869
Receipts from customers/ other funds	5,940,264	11,321,989	262,526	17,524,779	1,866,773
Payments to suppliers	(4,766,839)	(2,459,063)	(387,873)	(7,613,775)	(242,637)
Payments to employees	(2,251,502)	(3,294,239)	(212,722)	(5,758,463)	(3,225,675)
Claims paid	(92,896)	(142,222)	(10,741)	(245,859)	(605,776)
Cash Flows from Operating Activities	(1,158,386)	5,426,465	(348,810)	3,919,269	(2,203,446)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash receipts from operating grants	15,095	-	-	15,095	-
Transfers in	-	-	990,000	990,000	-
Transfers out	(186,001)	(185,999)	-	(372,000)	-
Cash Flows from Noncapital Financing Activities	(170,906)	(185,999)	990,000	633,095	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(2,406,619)	(522,630)	(40,410)	(2,969,659)	(679,594)
Proceeds from sale of capital assets	-	-	-	-	87,774
Principal payments on debt	-	(1,530,391)	-	(1,530,391)	-
Interest paid	-	(828,116)	-	(828,116)	-
Cash Flows from Noncapital Financing Activities	(2,406,619)	(2,881,137)	(40,410)	(5,328,166)	(591,820)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
FINANCING ACTIVITIES					
Interest	25,713	94,107	4,266	124,086	73,975
Cash Flows from Noncapital Financing Activities	25,713	94,107	4,266	124,086	73,975
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,710,198)	2,453,436	605,046	(651,716)	(2,721,291)
CASH AND CASH EQUIVALENTS - Beginning of year	4,429,733	9,382,295	-	13,812,028	10,657,961
CASH AND CASH EQUIVALENTS - End of year	\$ 719,535	\$ 11,835,731	\$ 605,046	\$ 13,160,312	\$ 7,936,670
FINANCIAL STATEMENT PRESENTATION:					
Cash and investments	\$ 719,535	\$ 10,584,492	\$ 605,046	\$ 11,909,073	\$ 7,936,670
Cash with fiscal agents	-	1,251,239	-	1,251,239	-
Total	\$ 719,535	\$ 11,835,731	\$ 605,046	\$ 13,160,312	\$ 7,936,670
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ (2,330,730)	\$ 4,041,233	\$ (371,810)	\$ 1,338,693	\$ (2,663,917)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	282,997	1,144,395	38,873	1,466,265	268,220
Changes in assets and liabilities:					
Accounts receivable	204,634	59,700	-	264,334	(32,864)
Deferred outflows - pension	(429,023)	(619,839)	(17,211)	(1,066,073)	(51,633)
Accounts payable and accrued payroll	629,148	25,660	8,609	663,417	46,209
Deposits payable	17,031	73,076	-	90,107	-
Due to other funds	-	-	(42,337)	(42,337)	-
Compensated absences	(23,075)	(6,611)	15,383	(14,303)	141,523
Accrued self-insurance	-	-	-	-	29,965
Net pension liability	619,852	895,543	24,867	1,540,262	74,597
Deferred inflows - pension	(129,220)	(186,692)	(5,184)	(321,096)	(15,546)
Total adjustments	1,172,344	1,385,232	23,000	2,580,576	460,471
Net cash provided by operating activities	\$ (1,158,386)	\$ 5,426,465	\$ (348,810)	\$ 3,919,269	\$ (2,203,446)

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund accounts for the activities of the Successor Agency to the former Redevelopment Agency of the City of Millbrae

OPEB Trust Fund accounts for contributions made to the City's established IRC section 115 irrevocable trust fund with Benefit Trust Company and created as part of the City's OPEB (other post employment benefits) funding strategy.

City of Millbrae

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Successor Agency to the Redevelopment	Agency Private- Trust Fund	OPEB Trust Fund
ASSETS			
Current assets			
Cash and investments	\$ 637,486	\$ 3,247,340	
Cash with fiscal agents	34		-
Receivables:			
Accounts receivable - net	8,560		-
Capital assets:			
Depreciable capital assets, net	58,980		-
Total assets	\$ 705,060	\$ 3,247,340	
LIABILITIES			
Liabilities:			
Current liabilities			
Payable to broker	\$ -	\$ 7,373	
Interest payable	107,635		
Long-term debt			
Portion due within one year	220,000		-
Portion due in more than one year	6,321,322		-
Total liabilities	6,648,957	7,373	
NET POSITION			
Held in trust for other purposes	(5,943,897)	3,239,967	
Total net position	\$ (5,943,897)	\$ 3,239,967	

See accompanying Notes to Basic Financial Statements.

City of Millbrae
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2017

	Successor Agency to the Redevelopment	Agency Private- Trust Fund	OPEB Trust Fund
ADDITIONS:			
Property Tax	\$ 223,709	\$ -	-
Employer contribution			3,000,000
Investment income:			
Interest and dividends	5,749		77,885
Net increase in fair value of investments			171,150
Miscellaneous revenue	8,560		
Total additions	238,018		3,249,035
DEDUCTIONS:			
Community Development	293,291		-
Depreciation	3,224		-
Gain (loss) on sale	310,386		-
Transfer of property to the City	1,324,591		-
Interest and fiscal charges	249,822		9,068
Total deductions	2,181,314		9,068
Change in net position	(1,943,296)		3,239,967
NET POSITION:			
Beginning of year	(4,000,601)		-
End of year	\$ (5,943,897)		\$ 3,239,967

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Millbrae, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. *Financial Reporting Entity*

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

B. *Basis of Accounting and Measurement Focus*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The City reports the following funds as major governmental funds of the City.

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Low and Moderate Income Housing Asset Capital Projects Fund accounts for revenues and expenditures related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following funds as proprietary funds of the City.

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

Municipal Wastewater Fund accounts for services of the collection, treatment and administration of the City's sanitary sewer system.

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Internal service fund balances and activities have been combined with governmental activities in the Government-Wide Financial Statements. These funds account for municipal garage (fleet) services, workers' compensation, general liability, unemployment insurance, compensated absences, and other postemployment benefits funding; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has one fiduciary fund which is a private-purpose trust fund. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary fund:

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

OPEB Trust Fund - OPEB Trust Fund accounts for contributions made to the City's established IRC section 115 irrevocable trust fund with Benefit Trust Company and created as part of the City's OPEB (other post-employment benefits) funding strategy.

C. Cash, Cash Equivalents and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. *Cash, Cash Equivalents and Investments, Continued*

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

D. *Restricted Cash and Investments*

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, and to meet bond indenture debt reserve requirements. Cash and investments are also restricted for deposits held for others within the enterprise funds.

E. *Prepays and Supplies*

Certain payments to vendors reflect costs applicable to future accounting periods. Supplies are valued at cost on a first-in first-out basis. Supplies in the General Fund consist of expendable supplies held for consumption by all departments of the City. The cost is recorded as expenditure at the time individual inventory items are withdrawn for use (consumption method). The General Fund supplies amount is equally offset by non-spendable fund balance, which indicates that it does not constitute expendable available financial resources. Supplies in the enterprise funds consist principally of materials and supplies for utility operations and are expensed as consumed.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

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

During the fiscal year ended June 30, 2008 the City recorded the historical costs and depreciation of infrastructure assets to comply with the requirements of GASB 34.

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

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

Water and Wastewater Mains, Lines and Trunks	15-20 years
Buildings and Improvements	7 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Automobiles and Trucks	2 - 10 years
Infrastructure	25-65 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.

G. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred for governmental fund types and proprietary fund types.

In the Fund Financial Statements, proprietary fund types recognize the interest payable when the liability is incurred.

H. Unearned revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-Wide Financial Statements are prepaid charges for services.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. *Claims and Judgments*

The short-term and long-term workers' compensation claims liability is reported in the Workers' Compensation Service Fund. The short-term and long-term general claims liability is reported in the General Liability Internal Service Fund. The short-term liability which will be liquidated with current financial resources is the amount of settlement reached, but unpaid, related to claims and judgments entered.

J. *Long-Term Debt*

Government-Wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount. Bond issuance costs are reported as an asset and amortized over the term of the related debt.

Governmental Fund Financial Statements – The governmental fund financial statements do not present long-term debt. As such, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Bond premiums and discounts, as well as issuance costs, are recognized during the current period as other financing sources or uses. Bond proceeds are reported as other financing sources.

Proprietary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

K. *Property Taxes*

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 Articles 13; with limited exceptions, otherwise assessed value is calculated as the lesser of full cash value at the time of acquisition or 2% over the prior year assessed value. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities and school districts may levy such additional tax rate as is necessary to repay voter-approved debt.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Revenue Recognition for Water and Wastewater Enterprise Funds

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

N. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Net Position

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

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

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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Fund Balances

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

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

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

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

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

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. The City Council expressed its intent to classify certain fund balances "assigned" through resolutions. This category includes encumbrances when applicable.

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

Q. Use of Estimates

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. New Pronouncements

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*- The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City implemented this statement and updated its disclosures related to other postemployment benefits.
- GASB Statement No. 77, *Tax Abatement Disclosure*- This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*- The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. New Pronouncements, Continued

local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the City.

- GASB Statement No. 82, Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73 - This Statement addresses certain issues that had been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68. Specifically, this Statement addresses issued regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard.

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments

The City maintains a cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

The following is a summary of cash and investments at June 30, 2017:

	Government-Wide Statement of Net Position				Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds		
Cash and Investments	\$ 48,622,835	\$ 11,909,073	\$ 637,486	\$ 61,169,394	
Cash with Fiscal Agent	3,757	1,251,239	34	1,255,030	
OPEB Trust investment pool			3,247,340	3,247,340	
Total cash and investments	\$ 48,626,592	\$ 13,160,312	\$ 3,884,860	\$ 65,671,764	

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS

A. Summary of Cash and Investments, Continued

Cash and investments as of June 30, 2017 consist of the following:

Cash on hand	\$ 1,100
Deposits with financial institution	1,979,717
Total cash on hand and deposits	1,980,817
Local Agency Investment funds	24,951,776
San Mateo County Pool	13,837,437
U.S. Treasury Notes	8,397,376
Commercial Paper	399,073
Federal Agency Bonds/Notes	4,388,931
Corporate Bonds and Notes	4,223,792
Certificates of deposit	2,990,192
Total investments	59,188,577
Total City Treasury	61,169,394
Cash with fiscal agent	1,255,030
OPEB Trust investment pool	3,247,340
Total cash and investments	\$ 65,671,764

B. Deposits

The carrying amount of the City's cash deposit was \$1,979,717 at June 30, 2017. Bank balances before reconciling items were a positive amount of \$2,198,130 at June 30, 2017. The City has waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

C. Investments

A. Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings are acceptable of the issuers are acceptable to the City. Any other investment not specified hereunder shall be made only upon prior approval by the City Council. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Entity's investment policy.

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

- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation;
- U.S. Treasury obligations which carry the full faith and credit guarantee of the United States government and are considered to be the most secured investments available;
- U.S. government agency and instrumentality obligations that have a liquid market value with a readily determinable market value;
- Certificates of deposit and other evidences of deposit at financial institutions;
- Negotiable Certificates of Deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally or state licensed branch of a foreign bank. No more than 30% of the City's portfolio may be invested in negotiable CD's.
- Bankers' acceptances with a rating of the highest ranking or highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). Purchases of bankers' acceptances may not exceed 180 days. No more than 40% of the City's portfolio may be invested in bankers' acceptances;
- Commercial paper, rated in the highest tier by an NRSRO. The entity that issues the commercial paper must meet all the following conditions in either paragraph a or paragraph b:
 - a) The entity meets the following criteria: (i) is organized and operating in the United States as a general corporation, (ii) has total assets in excess of five hundred million dollars (\$500,000,000), and (iii) has debt other than commercial paper, if any, that is rated "A" or higher by an NRSRO.
 - b) The entity meets the following criteria: (i) is organized in the United States as special purpose corporation, trust, or limited liability company, (ii) has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond, and (iii) has commercial paper that is rated "A-1" or higher, or the equivalent by a NRSRO.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

A. Authorized Investments by the City, Continued

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

City did not enter into any reverse repurchase agreements during the year ended June 30, 2017.

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's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

A. Authorized Investments by the City, Continued

As of June 30, 2017, the City had \$24,951,776 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.81% in the previous year. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States 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. The fair value factor of 0.99889 was used to calculate the fair value of the investments in the County Pool.

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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

B. Authorized Investments by the Debt Agreements

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. Investments held in Trust for Other Postemployment Benefits

The City established an irrevocable Section 115 OPEB Trust with Keenan Financial Services and Benefit Trust. As of June 30, 2017, the trust had a balance of \$3,247,340. The Trust' policy for allocation of invested assets is established and may be amended by the Board of Authority through a majority vote. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of specific asset classes. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span, and except for liquidity purposes, the use of cash equivalents. The following was the Trust' Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Global Equity	38%
Global Fixed Income	55%
Real Estate	7%
Total	<u>100%</u>

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expenses, was 8.79%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Risk Disclosures

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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

including collateral for repurchase agreements, be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian.

Interest 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.

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:

Investment Type	Investment Maturities (in years)					Total
	12 months or less	13 to 24 months	25 to 60 months			
City Local Agency Investment Fund	\$ 24,951,776	\$ -	\$ -			\$ 24,951,776
San Mateo County Pool	13,837,437	-	-			13,837,437
U.S. Treasury Notes	-	\$ 1,389,677	\$ 7,007,700			8,397,376
Commercial Paper	399,073	-	-			399,073
Federal Agency Bonds/Notes	-	843,497	3,545,433			4,388,931
Corporate Bonds and Notes	-	1,743,660	2,480,132			4,223,792
Certificates of deposit	852,109	2,138,083	-			2,990,192
Total Investments	\$ 40,040,395	\$ 6,114,917	\$ 13,033,266			\$ 59,188,577

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, 2017 for each investment type:

Investment Type	AA+	AA	AA-	A+	A	A-	A-1	Total
US Treasury Notes	\$ 8,397,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,397,376
Commercial Paper	-	-	-	-	-	-	399,073	399,073
Federal Agency Bonds/Not	4,388,931	-	-	-	-	-	-	4,388,931
Corporate Bonds and Notes	350,879	64,528	645,347	350,819	1,957,282	854,939	-	4,223,792
Certificates of Deposit	-	-	666,527	1,433,700	403,077	-	239,357	2,742,661
	\$ 13,137,186	\$ 64,528	\$ 1,311,874	\$ 1,784,519	\$ 2,360,359	\$ 854,939	\$ 638,430	\$ 20,151,833
<i>Not rated:</i>								
Local Agency Investment Fund								24,951,776
San Mateo County Investment Fund								13,837,437
Negotiable or Non-Negotiable								
Certificates of deposit								247,531
Total Investments								\$ 59,188,577

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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

Issuer	Investment Type	Reported Amount
FANNIE MAE	United States Government Agency Obligation	\$ 1,181,471
FHLB AGENCY NOTES	United States Government Agency Obligation	923,500
FNMA NOTES	United States Government Agency Obligation	948,286
HSBC HOLDINGS PLC	Medium Term Notes	751,221
		<hr/>
	Total	\$ 3,804,478

E. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2017 are described on the following page.

Investments included in LAIF and San Mateo County Pool as well as restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement disclosure.

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
<u>Investments subject to levels</u>				
U.S. Treasury Securities	\$ 8,397,376	\$ 8,397,376	\$ -	\$ -
Commercial Paper	399,073	-	399,073	-
Federal Agency Securities	4,388,931	-	4,388,931	-
Corporate Bonds and Notes	4,223,792	-	4,223,792	-
Total investments subject to levels	17,409,172	\$ 8,397,376	\$ 9,011,796	\$ -
<u>Investment not subject to levels</u>				
Local Agency Investment Fund	24,951,776			
San Mateo County Pool	13,837,437			
Certificates of Deposits	2,990,192			
Total investments	\$ 59,188,577	\$ 8,397,376	\$ 9,011,796	\$ -

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation, continued

US treasury notes categorized as Level 1 are valued based on prices quoted in active markets for those securities. Government agency obligation, corporate bonds and certificates of deposit categorized as Level 2 are valued based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuations for which all significant assumptions are observable or can be corroborated by observable market data.

3. INTERFUND TRANSACTIONS

Transfers

At June 30, 2017, the City had the following transfers in/out which arise in the normal course of operations.

Transfers Out	Transfers In					Total
	Low and Moderate Income Housing Asset Funds		Non-Major Governmental Funds		Non-Major Storm Drain Fund	
	General	Funds				
General Fund	\$ -	\$ -	\$ 830,822	\$ 990,000	\$ 1,820,822	
Non-major Govtl Funds	61,493	2,356	-	-	-	63,849
Municipal Water Fund	186,001	-	-	-	-	186,001
Municipal Wastewater Fund	185,999	-	-	-	-	185,999
Total	<u>\$ 433,493</u>	<u>\$ 2,356</u>	<u>\$ 830,822</u>	<u>\$ 990,000</u>	<u>\$ 2,256,671</u>	

Transfers from the General Fund were approved by City Council and made to (1) the Non-Major Governmental Funds for debt service payments and to fund the operating deficit in the Recreation Fund and (2) the Storm Drain Fund for operating deficit.

Transfers from Municipal Water and Wastewater Funds to General Fund were made to fund the finance system implementation and to fund those entities share of administrative staffing needs.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

4. LOANS AND NOTES RECEIVABLE

At June 30, 2017, the City's loans and notes receivable totaled \$11,657,276 and were composed of the following:

	Balance as of June 30, 2017
Low-and-Moderate First Time Home Buyer Program	\$ 444,555
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loans	
88 South Boradway	4,143,040
1388 Broadway	1,369,681
Total	\$ 11,657,276

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

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

Dolores Lia Apartments Loan

In June 2011, the former Redevelopment Agency authorized the execution of a loan commitment agreement pursuant to which the Agency agreed to provide \$5.7 million of residual receipts loan to Pacific West Communities, Inc. for the acquisition and rehabilitation/permanent financing of a 27- unit affordable residential rental project located at 1275 El Camino Real (the Dolores Lia Project). The loan bears interest at three percent simple interest per annum. Annual payment on this note is payable on a residual receipt basis with 60% of all surplus cash payable toward principal and interest. The entire outstanding principal balance of the note, together with interest accrued thereon shall be payable in full on the maturity which is 57 years from the date of the note.

Below Market Rate Loans

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2017, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 14,298,260	\$ 1,500,500	\$ 15,798,760
Construction in progress	1,367,435	386,897	1,754,332
Total non-depreciable assets	15,665,695	1,887,397	17,553,092
Depreciable assets:			
Buildings and Improvements	20,447,160	41,565,955	62,013,115
Furniture, Fixtures and Equipment	5,889,393	15,022,858	20,912,251
Automobiles and Trucks	2,893,629	37,478	2,931,107
Infrastructure	59,060,778	20,402,567	79,463,345
	88,290,961	77,028,858	165,319,819
Less accumulated depreciation:			
Buildings and improvements	6,637,319	6,425,447	13,062,766
Furniture, Fixtures and Equipment	4,419,137	12,098,232	16,517,369
Automobiles and Trucks	1,746,710	37,478	1,784,188
Infrastructure	35,574,911	8,927,920	44,502,831
Total accumulated depreciation	48,378,077	27,489,077	75,867,154
Total depreciable assets	39,912,884	49,539,781	89,452,665
Total capital assets	\$ 55,578,579	\$ 51,427,178	\$ 107,005,756

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for the governmental activities during the fiscal year:

	Balance				Balance June 30, 2017
	June 30, 2016	Additions	Retirements	Reclassification	
Governmental activities					
Non-depreciable assets:					
Land	\$ 14,298,260	\$ -	\$ -	\$ -	\$ 14,298,260
Construction in progress	747,467	1,197,757	(53,961)	(523,828)	1,367,435
Total non-depreciable assets	<u>15,045,727</u>	<u>1,197,757</u>	<u>(53,961)</u>	<u>(523,828)</u>	<u>15,665,695</u>
Depreciable assets:					
Building and Improvements	21,566,290	54,143	(1,243,056)	69,783	20,447,160
Furniture, Fixtures and Equipment	5,902,249	246,831	(354,469)	94,782	5,889,393
Automobiles and Trucks	2,714,558	373,582	(194,511)	-	2,893,629
Infrastructure	57,952,774	922,924	(180,133)	365,214	59,060,778
	<u>88,135,871</u>	<u>1,597,480</u>	<u>(1,972,169)</u>	<u>529,779</u>	<u>88,290,961</u>
Less accumulated depreciation:					
Building and Improvements	6,749,346	453,033	(565,060)	-	6,637,319
Furniture, Fixtures and Equipment	4,223,765	496,018	(300,647)	-	4,419,137
Automobiles and Trucks	1,720,937	218,020	(192,247)	-	1,746,710
Infrastructure	34,942,971	772,035	(140,095)	-	35,574,911
	<u>47,637,019</u>	<u>1,939,106</u>	<u>(1,198,049)</u>	<u>-</u>	<u>48,378,077</u>
Total accumulated depreciation					
Total depreciable assets, net	<u>40,498,852</u>	<u>(341,626)</u>	<u>(774,120)</u>	<u>529,779</u>	<u>39,912,884</u>
Governmental activity capital assets, net	\$ 55,544,579	\$ 856,131	\$ (828,081)	\$ 5,951	\$ 55,578,579

Depreciation expense by program for capital assets for the year ended June 30, 2017 was as follows:

General Government	\$ 648,744
Public works	673,860
Culture and Recreation	151,805
Community Development	196,477
Internal Service Funds	268,220
Total Governmental Activities	\$ 1,939,106

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of changes in the capital assets for business-type activities during the fiscal year:

	Balance as of				Balance at
	June 30, 2016	Additions	Deletions	Transfers	June 30, 2017
Business-type activities					
Capital assets not being depreciated:					
Land	\$ 1,500,500	\$ -	\$ -	\$ -	\$ 1,500,500
Construction in Progress	696,610	386,897	(95,031)	(601,579)	386,897
Total capital assets not being depreciated	<u>2,197,110</u>	<u>386,897</u>	<u>(95,031)</u>	<u>(601,579)</u>	<u>1,887,397</u>
Capital assets being depreciated:					
Building and Improvements	41,565,955	-	-	-	41,565,955
Furniture, Fixtures, and Equipment	15,010,038	13,697	(877)	-	15,022,858
Automobiles and Trucks	39,179	-	(1,701)	-	37,478
Infrastructure	<u>17,231,923</u>	<u>2,569,065</u>	<u>-</u>	<u>601,579</u>	<u>20,402,567</u>
Total capital assets being depreciated	<u>73,847,095</u>	<u>2,582,762</u>	<u>(2,578)</u>	<u>601,579</u>	<u>77,028,858</u>
Less accumulated depreciation for:					
Building and Improvements	5,567,138	858,309	-	-	6,425,447
Furniture, Fixtures, and Equipment	11,781,035	318,073	(876)	-	12,098,232
Automobiles and Trucks	38,689	455	(1,666)	-	37,478
Infrastructure	<u>8,638,492</u>	<u>289,428</u>	<u>-</u>	<u>-</u>	<u>8,927,920</u>
Total accumulated depreciation	<u>26,025,354</u>	<u>1,466,265</u>	<u>(2,542)</u>	<u>-</u>	<u>27,489,077</u>
Total depreciable capital assets, net	<u>47,821,741</u>	<u>1,116,497</u>	<u>(36)</u>	<u>601,579</u>	<u>49,539,781</u>
Business-type activities capital assets, net	<u><u>\$ 50,018,851</u></u>	<u><u>\$ 1,503,394</u></u>	<u><u>\$ (95,067)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 51,427,178</u></u>

Depreciation expense for the year ended June 30, 2017 was as follows:

Municipal Water System	\$ 282,997
Municipal Wastewater Treatment Facility	1,144,395
Storm Drain	<u>38,873</u>
Total Business-Type Activities	<u>\$ 1,466,265</u>

B. Capital Asset Contributions

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

6. PROPERTY HELD FOR RESALE

In 2012, the City elected to act as the successor housing agency to, and upon the dissolution of, the former Redevelopment Agency. In that capacity, the Successor Agency to the former Redevelopment Agency transferred land held for resale back to the City. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

7. LONG-TERM DEBT

A. *Governmental Activities*

The following is a summary of long-term debt transactions including amortization for the year ended June 30, 2017:

	Original Issue Amount	Balance June 30, 2016	Prior Period Adjustment	Additions	Retirements	Balance June 30, 2017	Due Within One Year
2004 Pension Obligation Bonds Series A-2 4.35%-6.58%, due 6/1/2034	\$ 11,521,630	\$ 13,991,203	-	\$ 919,176	\$ (1,030,000)	\$ 13,880,379	\$ 1,070,000
2011 Police Remodel Lease Revenue Financing 4.25%, due 3/1/2024	2,555,000	1,743,000	-	-	(187,000)	1,556,000	197,000
2013 General Obligation Refunding Bonds 1%-5%, due 8/1/2037 Premium, net of amortization	9,745,000 454,096	9,190,000 396,512	- -	- -	(200,000) (19,743)	8,990,000 376,768	210,000 -
Subtotal Bonds and Loans outstanding	<u>25,320,715</u>	<u>-</u>	<u>919,176</u>	<u>(1,436,743)</u>	<u>24,803,147</u>	<u>1,477,000</u>	
Claims payable		2,473,000		456,680	(426,715)	2,502,965	668,965
Compensated absences		398,697		431,606	(290,084)	540,219	54,023
Total Long-Term Debt	<u><u>\$ 28,192,411</u></u>	<u><u>\$ 1,807,462</u></u>	<u><u>\$ (2,153,543)</u></u>	<u><u>\$ 27,846,331</u></u>	<u><u>\$ 2,199,988</u></u>		

2004 Pension Obligation Bonds – Original Issue \$11,521,630

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.

The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. The accreted value on any date other than an interest payment date shall be calculated by straight line interpolation of the accreted as of the immediately preceding and succeeding interest payment date. Repayments of the accreted principal commenced June 1, 2008.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

A. Governmental Activities, Continued

2011 Police Remodel Lease Revenue Financing - Original Amount \$2,555,000

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

Interest payments due on March 1 and September 1 of each year and principal due on March 1 are repayable from General Fund revenue. The total principal and interest remaining to be paid on the loan is \$1,830,975. Principal and interest paid for the current year was \$261,077.

2013 General Obligation Refunding Bonds - Original Issue \$9,745,000

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

The 2013 General Obligation Refunding Bonds bear interest rates ranging from 1.0% to 5.0%. Principal payments are due annually on August 1 and interest payments are due semiannually on August 1 and February 1, through August 2036. The total principal and interest remaining to be paid on the bonds is \$13,611,581. Principal and interest paid for the current year was \$593,188.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

B. Business-Type Activities

The City's debt issues and transactions of business-type activities are summarized below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
2009 State Water Resources Board						
Water Pollution Control Plant 1%, due 4/1/2032	\$ 28,397,180	\$ 23,319,946		\$ (1,351,266)	\$ 21,968,680	\$ 1,364,777
2009A Wastewater Revenue Certificates of Participation						
7.423%, due 12/1/2039	5,560,000	5,560,000			5,560,000	
2009B Wastewater Revenue Certificates of Participation						
2.0-5.125%, due 12/1/2034	10,250,000	6,390,000		(175,000)	6,215,000	180,000
Premium, net of amortization	123,774	96,612		(4,126)	92,487	
Subtotal Bonds and Loans Outstanding		35,366,558		(1,530,392)	33,836,167	1,544,777
Compensated absences		572,210	242,410	(256,713)	557,907	55,791
Total Long-Term Debt	\$ 35,938,768	\$ 242,410	\$ (1,787,105)	\$ 34,394,074	\$ 1,600,567	

2009 State Water Resources Control Board Loan - Original Issue \$28,397,180

On October 1, 2009 the City of Millbrae entered into a loan agreement with the State Water Resources Control Board, to fund the Water Pollution Control Plant Renovation Project. Under the agreement, the State Water Board provided project funds totaling \$28,397,180. The project funds will be repaid at an interest rate of one percent (1%) per annum. Annual principal and interest payments are due each November 30 until November 30, 2031. The total principal and interest remaining to be paid on the loan is \$21,968,681 and \$1,798,284 respectively. Principal and interest paid for the current year was \$1,584,464.

2009 - Certificates of Participation

On December 15, 2009, the Millbrae Financing Authority issued 2009 Wastewater Revenue Certificates of Participation (COP), Series A and Series B, to finance a portion of the renovation and modernization of the City's wastewater treatment facilities.

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

2009 - Certificates of Participation, continued

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

C. Debt Service Requirements

The annual debt service requirements are as follows:

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal (A)	Interest	Total	Principal	Interest	Total
2018	1,477,000	452,118	1,929,118	1,544,778	941,487	2,486,265
2019	1,543,000	434,945	1,977,945	1,568,425	920,439	2,488,864
2020	1,613,000	416,818	2,029,818	1,587,210	897,980	2,485,190
2021	1,683,000	396,240	2,079,240	1,611,131	874,058	2,485,189
2022	1,757,000	373,013	2,130,013	1,635,192	849,496	2,484,688
2023-2027	9,243,000	1,498,349	10,741,349	8,041,855	3,879,091	11,920,947
2028-2032	10,895,000	969,775	11,864,775	7,690,089	3,450,233	11,140,322
2033-2037	7,205,000	355,300	7,560,300	6,570,000	2,266,245	8,836,245
2038-2041				3,495,000	397,316	3,892,316
Subtotal	35,416,000	\$ 4,896,556	\$ 40,312,556	33,743,680	\$ 14,476,346	\$ 48,220,026
Premium	376,768			92,487		
Total	\$ 35,792,768			\$ 33,836,167		

(A) Includes unaccrued discount totaling \$10,989,622.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

7. LONG-TERM DEBT, Continued

D. Compensated Absences

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

Employees accrue vacation, annual leave, earned time off, and holiday leave up to certain maximums, based on the employee's bargaining unit. Employees may elect to be paid a portion of these leaves at various times according to the applicable Memorandum of Understanding. Sick leave may be accumulated without limit.

The City accrues the liability for compensated leave as it is earned by employees. The amount of compensated leaves payable outstanding was \$1,098,126 as of June 30, 2017.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Governmental Activities					
Compensated Leaves Payable	\$ 398,697	\$ 431,606	\$ (290,084)	\$ 540,219	\$ 54,023
Business-Type Activities					
Compensated Leaves Payable	\$ 572,210	\$ 242,410	\$ (256,713)	\$ 557,907	\$ 55,791

The amount due within one year of \$54,023 for Governmental Activities and \$55,791 for Business-Type Activities represents the estimated amount for anticipated retirees.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

8. FUND BALANCES

Detailed classifications of the City's fund balances as of June 30, 2017, are below:

Fund Balances Classifications	General Fund	Low and Moderate Income Housing Asset Fund	Other Governmental Fund	Total Government
Nonspendable:				
Prepads	\$ 1,473,046	\$ -	\$ -	\$ 1,473,046
Total Nonspendable Fund Balances	<u>1,473,046</u>	<u>-</u>	<u>-</u>	<u>1,473,046</u>
Restricted for:				
Low and Moderate Income Housing	-	12,452,580	-	12,452,580
Measure A	-	-	3,057,969	3,057,969
Gas Tax	-	-	1,198,842	1,198,842
Integrated Waste Management	-	-	683,150	683,150
Other	-	-	4,331,788	4,331,788
Millbrae Station Area Developer Fee	-	-	3,256,337	3,256,337
Debt Service	-	-	1,090,131	1,090,131
Developer Fee Capital Projects	-	-	3,733,223	3,733,223
Total Restricted Fund Balances	<u>-</u>	<u>12,452,580</u>	<u>17,351,440</u>	<u>29,804,020</u>
Assigned for:				
Encumbrances	356,744	-	296,333	653,077
Total Assigned Fund Balances	<u>356,744</u>	<u>-</u>	<u>296,333</u>	<u>653,077</u>
Unassigned:				
	22,716,226	-	(128,354)	22,587,872
Total Fund Balances	\$ 24,546,016	\$ 12,452,580	\$ 17,519,419	\$ 54,518,015

9. NEGATIVE FUND BALANCE

At June 30, 2017, the Recreation Special Fund has deficit fund balances in the amount of \$128,355. This deficit will be eliminated using insurance proceeds after evaluation of losses including loss of business used due to the 2016 fire at the Millbrae Community Center.

10. ENCUMBRANCES/COMMITMENTS

Encumbrance balances by major funds and non-major funds as of June 30, 2017 are:

	Major Funds			
	Low and Moderate Housing Asset Capital Projects Fund		Non-Major Funds	TOTAL
	General Fund	Capital Projects Fund		
Construction	\$ 32,530	\$ -	\$ -	\$ 32,530
Materials and Equipment	25,304	-	-	25,304
Services	298,909	-	296,334	595,243
	<u>\$ 356,743</u>	<u>\$ -</u>	<u>\$ 296,334</u>	<u>\$ 653,077</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

11. FUND BALANCE/NET POSITION DEFICIT AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

Non-Major:	
Special Revenue Funds:	
Gas Tax	\$ 589,821
Integrated Waste Management	142,838
Other	410,119
Millbrae Station Developer Fees-Operating	8,226
Debt Service Funds:	
Library Fund	\$ 4,927
2004 Pension Obligation Bonds	1,737

Expenditures in excess of appropriations occurred in special revenue funds due to a budgeting error. This has been resolved in the current year budget.

12. RETIREMENT BENEFITS

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors five rate plans (miscellaneous classic, miscellaneous PEPRA, safety fire classic, safety fire PEPRA and safety police classic). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

B. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. RETIREMENT PLANS, Continued

B. Benefits Provided, Continued

The rate plan's provisions and benefits in effect at June 30, 2017 are summarized as follows:

	Safety- Police & Fire	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9.00%	8.00%
Required employer contribution rates	19.334%	12.429%
Required employer dollar UAL payment (annual)	\$494,695	\$1,237,391
	Safety- Police & Fire	Miscellaneous
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2%
Required employee contribution rates	12.25%	6.50%
Required employer contribution rates	12.82%	6.93%
Required employer dollar UAL payment (annual)	\$61	\$97

Beginning in fiscal year 2017, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability. The dollar amounts are billed on a monthly basis. The City's required contribution for the unfunded liability was \$494,756 and \$1,237,488 for safety and miscellaneous respectively, in fiscal year 2017.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an actuarial basis, annually and is effective on July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized against net pension liability for the Plans were \$2,064,418.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as \$42,768,893.

The City's net pension liabilities for the Plans are measured as the proportionate share of the total net pension liability of each Plan. The net pension liability of the Plans are measured as of June 30, 2016, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate share of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 were as follows:

Proportion - June 30, 2015	0.499079%
Proportion - June 30, 2016	0.494261%
Change - Increase (Decrease)	<u>-0.004818%</u>

For the year ended June 30, 2017, the City recognized pension expense of \$5,632,937. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,334,524	\$ -
Differences between expected and actual experience	10,841	14,464
Changes of assumptions	-	695,678
Changes in employer's proportion	951,358	1,023,687
Differences between the employer's contribution and the employer's proportionate share of contributions	-	2,679,790
Net differences between projected and actual earnings on plan investments	3,564,174	-
Total	\$ 6,860,897	\$ 4,413,619

\$2,334,524 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period	
<u>Ending June 30:</u>	
2018	(1,358,613)
2019	(931,304)
2020	1,478,253
2021	924,419

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	(1) 7.50%
Mortality	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75 thereafter

(1) Net of pension plan Administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

12. RETIREMENT PLANS, Continued

C. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -
The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.65%
Net Pension Liability	\$	62,676,496
Current Discount Rate		7.65%
Net Pension Liability	\$	42,768,893
1% Increase		8.65%
Net Pension Liability	\$	26,375,404

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2017 the City reported a payable of \$47,400 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2017. This amount was paid in July, 2017.

13. POST-EMPLOYMENT BENEFITS

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. POST-EMPLOYMENT BENEFITS, Continued

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

Eligibility	<ul style="list-style-type: none"> • Service (50 & 5 years CalPERS service) or Disability retirement • Retire directly from City under CalPERS
Management & Confidential	<p>PEMHCA Method:</p> <ul style="list-style-type: none"> • Actives: Hired on or before May 1, 2013, City contributes premium up to \$1,385.62; Employees hired after May 1, 2013, the City contributes the minimum PEMHCA amount as required by State law for retiree medical. • Retirees: City contribution equal to 5% of active contribution times years of participation in PEMHCA (max \$100/month annual increase) • Management & Confidential joined PEMHCA in 1986 • City pays medical premium and reimburses Medicare Parts A & B up to \$1,385.62.
Firefighter	<ul style="list-style-type: none"> • Fire Captain Retirees: City contributes \$1,385.62 toward medical premiums • Firefighter Retirees: City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable
Sanitation and Teamsters	<ul style="list-style-type: none"> • Teamsters Local 856 Health & Welfare Trust • Retiree pays full premium • Not included in valuation
Surviving Spouse Benefit	<ul style="list-style-type: none"> • 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

As of June 30, 2017, approximately 28 participants were eligible to receive benefits.

Healthcare cost trend rate assumptions are as follows:

Year	Increase from Prior Year	
	Non-Medicare	Medicare
2017	7.0%	7.2%
2018	6.5%	6.7%
2019	6.0%	6.1%
2020	5.5%	5.6%

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

13. POST-EMPLOYMENT BENEFITS, Continued

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2016 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% general inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over fixed 30 year closed amortization period with a remaining amortization period of 22 years at June 30, 2017.

B. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In fiscal year 2017, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC)	\$ 1,291,000
Interest on net OPEB obligation	157,000
Adjustment to annual required contribution	(407,000)
Annual OPEB cost	<u>1,041,000</u>
 Contributions made:	
Current year premiums paid	815,000
Contribution to Trust	<u>3,000,000</u>
Change in net OPEB obligation	(2,774,000)
Net OPEB Obligation at June 30, 2016	\$ 4,299,020
Net OPEB Obligation at June 30, 2017	<u>\$ 1,525,020</u>

The Plan's annual required contributions and actual contributions for the years ended June 30, 2017 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	ARC Contributed	Net OPEB Obligation
6/30/2015	970,000	718,000	74.02%	4,095,033
6/30/2016	1,005,000	801,013	79.70%	4,299,020
6/30/2017	1,041,000	3,815,000	366.47%	1,525,020

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

14. RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non-profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$15,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. ABAG Plan also provides \$1,000,000 of employee theft coverage in the excess of the city's \$5,000 deductible. For the year ended June 30, 2017, the City paid ABAG Plan \$254,293 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

The City has also purchased excess coverage insurance for worker's compensation claims from an independent commercial insurance company with \$500,000 self-insured retention. For the past three fiscal years, the amount of settlements did not exceed insurance coverage.

B. Liability for Uninsured Claims

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

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 year's claims experience as follow:

	Fiscal 2016-2017			Fiscal 2015-2016	
	Workers'		General	Total	Totals
	Compensation	Claims			
Balances, beginning of year	\$ 2,468,000	\$ 5,000	\$ 2,473,000	\$ 2,092,673	
Net change in:					
Liability for current fiscal year claims	(60,926)	517,606	456,680	631,561	
Claims incurred but not reported (IBNR) and adjustments	-	-	-	(21,299)	
Claims paid	(148,074)	(278,641)	(426,715)	(229,935)	
Balances, end of year	<u>\$ 2,259,000</u>	<u>\$ 243,965</u>	<u>\$ 2,502,965</u>	<u>\$ 2,473,000</u>	
Current portion	425,000	243,965	668,965	405,000	
Noncurrent portion	<u>\$ 1,834,000</u>	<u>\$ -</u>	<u>\$ 1,834,000</u>	<u>\$ 2,068,000</u>	

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

15. 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 \$75,896 for the year ended June 30, 2017. 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 Sam Trans, 401 Marina Boulevard, South San Francisco, CA 94080.

16. 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.

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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

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

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

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

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

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

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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

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

The City paid its surcharge of \$357,624 during fiscal year 2017, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2018 is estimated to be \$465,000.

C. San Mateo County Animal Shelter

Since 1951, cities in San Mateo County have contracted with the County to manage animal control field and sheltering services. The current shelter has been determined to be inadequate to meet current animal sheltering services. In May 2014, all the municipalities signed an agreement, effective September 9, 2014, to share in the construction costs for a new animal control center by repaying the County through a 30-year, interest-free lease agreement in the amount of \$20.2 million. The City's share of annual lease payments is based on a formula using a three year average of shelter use and percentage of population in the County. The City's estimated annual lease payment is \$95,408. The actual lease payments will be determined and payments will commence after the new animal shelter facility is completed, and will be due each July 1st.

D. Baykeeper Consent Decree

In September 2009, the San Francisco Baykeeper (Baykeeper), a non-profit organization that watches out for water quality and protection of the San Francisco Bay, filed a Notice Letter with the City alleging that Millbrae was violating the Clean Water Act for discharges of pollutants from the City's wastewater collection system and treatment plant. The complaint was filed in US District Court in December 2009. As a result of several years of discussion regarding the complaints, the City and Baykeeper entered into a Consent Decree ("CD") in the US District Court dated November 10, 2010.

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

The City engaged West Yost Associates to prepare a thorough analysis of the City's wastewater collection and treatment systems to compare alternatives to implement the changes necessary to be in compliance with the CD. A draft report was received by the City in July 2014, and was discussed in closed session with the City Council on October 1, 2014. The draft report's economic analysis indicated public infrastructure improvements that total approximately \$35 million. In light of significant escalation in construction costs, the City worked with West Yost to refine those cost estimates. Public infrastructure costs related to this consent decree are anticipated to exceed \$47 million. In 2017, the City negotiated an extended implementation schedule with Baykeepers. The extended implementation schedule calls for improvements beginning in FY 2015 - 2016, substantial compliance by November 2018 and ongoing improvements through Fiscal Year 2025.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Baykeeper Consent Decree, Continued

In 2015, during a Proposition 218 compliant wastewater rate study, the City adopted a Sanitary Sewer Overflow (SSO) charge intended to recover the costs of the infrastructure updates needed to meet the requirements of the consent decree. This SSO charge was replaced by a "Clean Bay Charge" during a Proposition 218 compliant hearing that was completed in Fiscal Year 2017 with new Clean Bay Charge rates effective July 15, 2017.

E. Millbrae Community Center

In July 2016, the Millbrae Community Center burned down. The structure and furnishings are covered by the City's policy with its self-insurance JPA, ABAG. Since the fire, ABAG and the City have been working with the ABAG plan on coverage. In the meantime, the City received some "partial proof of loss" payments which have been held in a Community Center Capital Improvement Fund until a final resolution is reached and the City and the community finalize a solution for the replacement of the center.

17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES

A. Redevelopment Dissolution

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

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

ABx1 26 and AB1484 allowed three regulatory oversight authorities, the Successor Authority's Oversight Board, State Controller and Department of Finance (DOF), to review the former Authority's asset transfer, obligation payments and wind down activities. ABx1 26 specifically directs the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the State Controller to order the asset returned to the redevelopment agency. The State Controller completed its review in April 2016. The City subsequently brought the asset transfer review to the Oversight Board. The transfer identified as required to be returned in the asset transfer review was made during the FY 2016.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES

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

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

Cash and investments of the Successor Agency are discussed in Note 2 above.

B. *Property Held for Resale*

The former Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. During the fiscal year 2017, the Successor Agency transferred the property held for resale, which was recorded at \$1,324,591, to the City.

C. *Capital Assets*

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

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

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

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

Buildings and Improvements	7 – 50 years
Furniture, Fixtures and Equipment	5 – 20 years
Automobiles and Trucks	2 – 10 years
Infrastructure	25–65 years

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

**17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES,
Continued**

C. Capital Assets, Continued

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

Capital assets recorded at June 30, 2017 comprise:

	Balance at June 30, 2016	Additions	Retirements	Balance at June 30, 2017
Capital assets being depreciated:				
Building and Improvements	\$ 3,608	\$ -	\$ -	\$ 3,608
Furniture, Fixtures and Equipment	33,056	-	-	33,056
Automobiles and Trucks	11,754	-	(11,754)	-
Infrastructure	473,659	-	(410,820)	62,839
Total capital assets being depreciated	522,077	-	(422,574)	99,503
Less accumulated depreciation for:				
Building and Improvements	1,359	361	-	1,720
Furniture, Fixtures and Equipment	18,532	1,430	-	19,962
Automobiles and Trucks	11,754	-	(11,754)	-
Infrastructure	117,842	1,433	(100,434)	18,841
Total accumulated depreciation	149,487	3,224	(112,188)	40,523
Net capital assets being depreciated	372,590	(3,224)	(310,386)	58,980
Capital Assets, net	\$ 372,590	\$ (3,224)	\$ (310,386)	\$ 58,980

D. Long-Term Debt

Tax Allocations Bonds and Loans

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

	Original Issue Amount	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Redevelopment Tax						
2015 Tax Allocation Bond	\$ 6,505,000	\$ 6,505,000	\$ -	\$ (205,000)	\$ 6,300,000	\$ 220,000
Premium		254,667	-	(13,345)	241,322	-
Total long term debt	\$ 15,095,000	\$ 6,759,667	\$ -	\$ (218,345)	\$ 6,541,322	\$ 220,000

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

**17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES,
Continued**

D. Long-Term Debt, continued

2015 Tax Allocation Refunding Bonds

On July 1, 2015, the Successor Agency issued \$6,505,000 Series 2015 Tax Allocation Refunding Bonds. The bonds were issued to refund the 2005 Tax Allocation Bonds. The economic gain on refunding of these bonds was \$351,443.

The 2015 Tax Allocation Refunding Bonds mature annually starting August 1, 2016 through 2036, with installments ranging from \$205,000 to \$460,000. The interest on the bonds is payable semi-annually on each February 1 and August 1, with coupon rates ranging from 2.00% to 5.00%.

Pledged Revenues

The 2015 Tax Allocation Refunding Bonds of the Successor Agency are payable solely from and secured by tax revenues deposited into Redevelopment Property Tax Trust Fund.

Debt Service Requirements

Debt service requirements are as follows:

Year ending June 30:			
	Principal	Interest	Total
2018	220,000	253,925	\$ 473,925
2019	230,000	244,925	474,925
2020	240,000	235,525	475,525
2021	250,000	224,475	474,475
2022	260,000	211,725	471,725
2023-2027	1,520,000	847,225	2,367,225
2028-2032	1,845,000	521,413	2,366,413
2033-2036	1,735,000	142,300	1,877,300
Total	\$ 6,300,000	\$ 2,681,513	\$ 8,981,513

E. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) annually that contains all proposed expenditures for the subsequent one year period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance. The obligations incurred by the Successor Agency were approved by the State in advance.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2017

**17. RDA OBLIGATION RETIREMENT TRUST FUND (SUCCESSOR AGENCY) ACTIVITIES,
Continued**

E. Commitments and Contingencies, Continued

State Approval of Enforceable Obligations, Continued

Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

State Asset Transfer Review

The State Controller's Office completed an asset transfer review in 2015. In 2016, the City completed required transfers related to that review. There are no further known contingencies related to asset transfers of the Successor Agency to the Redevelopment Agency.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Millbrae
Required Supplementary Information
For the year ended June 30, 2017

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Procedures

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

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

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

B. Encumbrances

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as an assignment of fund balances unless they relate to restricted or committed resources. Unexpended appropriations lapse at year end and must be re-appropriated in the following year.

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2017

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Property tax	\$ 10,747,218	\$ 10,944,219	\$ 11,378,840	\$ 434,621
Sales tax	2,699,199	2,699,199	2,779,906	80,707
Transient occupancy tax	7,467,020	8,217,020	8,031,917	(185,103)
Franchise Tax	1,150,714	1,230,714	1,186,264	(44,450)
Other taxes	602,078	552,078	727,870	175,792
Licenses and permits	378,372	886,863	571,875	(314,988)
Charges for services	1,857,775	860,091	807,500	(52,591)
Fines and forfeitures	1,613,731	1,613,731	1,550,814	(62,917)
Use of money and property	548,012	548,012	837,728	289,716
Grants and intergovernmental	202,002	152,002	812,825	660,823
Miscellaneous	890,100	890,100	624,343	(265,757)
Total revenues	28,156,221	28,594,029	29,309,882	715,853
EXPENDITURES:				
Current:				
General government	6,937,690	4,718,174	3,744,848	973,326
Public safety	12,957,956	14,181,883	13,759,054	422,829
Public works	2,476,100	2,196,905	2,603,344	(406,439)
Culture and recreation	1,721,723	1,682,423	1,646,587	35,836
Community development	5,495,777	2,301,262	2,278,617	22,645
Capital outlay	6,538,247	3,882,781	1,461,952	2,420,829
Total expenditures	36,127,493	28,963,428	25,494,402	3,469,026
REVENUE OVER (UNDER) EXPENDITURES	(7,971,272)	(369,399)	3,815,480	(2,753,173)
OTHER FINANCING SOURCES (USES):				
Transfers in	372,000	372,000	433,493	(61,493)
Transfers out	(1,820,822)	(1,820,822)	(1,820,822)	-
Total other financing sources (uses)	(1,448,822)	(1,448,822)	(1,387,329)	(61,493)
Net change in fund balance	\$ (9,420,094)	\$ (1,818,221)	2,428,151	\$ (2,814,666)
FUND BALANCES:				
Beginning of year			22,117,865	
End of year			\$ 24,546,016	

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2017

Budgetary Comparison Schedule, Low and Moderate Income Housing Asset Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 18,760	\$ 18,760
Total revenues	-	-	18,760	18,760
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	18,760	18,760
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,356	2,356
Total other financing sources (uses)	-	-	2,356	2,356
Net change in fund balances	\$ -	\$ -	21,116	\$ 21,116
Beginning Fund Balance			<u>12,431,464</u>	
Ending Fund Balance			<u>\$ 12,452,580</u>	

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2017

2. DEFINED BENEFIT PENSION PLAN

A. SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - *Last 10 Years**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.494261%	0.499079%	0.465881%
Proportionate share of the net pension liability	\$ 42,768,893	\$ 34,256,328	\$ 28,989,301
Covered payroll	\$ 5,834,899	\$ 6,870,921	\$ 7,291,105
Proportionate share of the net pension liability as percentage of covered payroll	732.98%	498.57%	397.60%
Plan fiduciary net position as a percentage of the total pension liability	74.06%	78.40%	79.82%

Note to Schedule:

*-Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2017

2. DEFINED BENEFIT PENSION PLAN, Continued

B. SCHEDULE OF CONTRIBUTIONS - Last 10 Years*

	2017	2016	2015
Contractually required contribution(actuarially determined)	\$ 2,334,524	\$ 2,064,418	\$ 1,399,544
Contribution in relation to the actuarially determined contributions	<u>(2,334,524)</u>	<u>(2,064,418)</u>	<u>(1,399,544)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 6,165,233	 \$ 5,834,899	 \$ 6,870,921
Contributions as a percentage of covered payroll	37.87%	35.38%	20.37%

Notes to Schedule:

*- Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2017

3. OTHER POST EMPLOYMENT BENEFITS

A. SCHEDULE OF FUNDING PROGRESS

A schedule of funding progress for the past three actuarial valuations is presented below.

Actuarial Valuation Date *	Actuarial Asset Value	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll **	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/1/2009	\$ -	\$ 14,171,000	\$ 14,171,000	0.0%	\$ 8,602,000	164.7%
1/1/2012	\$ -	\$ 14,385,000	\$ 14,385,000	0.0%	\$ 5,549,000	259.2%
1/1/2015	\$ -	\$ 15,613,000	\$ 15,613,000	0.0%	\$ 3,265,000	478.2%

* Based on the most recent actuarial valuation available

** Annual payroll of active employees covered by the plan

B. SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST PROGRAM

Year	Annual Money-weighted Rate of Return, Net of Investment Expenses
2017	8.79%

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Gas Tax accounts for gasoline tax allocated by the State for street and highway maintenance and improvements.

Special recreation accounts for fees and charges and expenditures for recreation and leisure programs.

Integrated Waste Management accounts for solid waste franchise fees dedicated to AB939 compliance, that is, to fund City programs related to solid waste reduction and recycling.

Other accounts for moneys received from the Asset Forfeitures Grants.

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

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

Millbrae Station Area Developer Fee accounts for the fees collected from the developers for operational expenditures incurred for the Millbrae Station Area development Project.

Debt Service Funds

Library Bonds Debt Service Fund accounts for the accumulation of resources for, and payment of principal and interest on, the City's 2001 general obligation bond issued for the Millbrae Public Library Project and the City's 2013 general obligation bonds issued to refinance the 2001 general obligation bonds.

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

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

Capital Project Funds

Developer Fee accounts for the fees collected from the developers for the capital activities of the Millbrae Station Area development project and other various development projects.

Community Center Capital Project Fund accounts for activities relating to rebuilding the Millbrae Community Center.

City of Millbrae
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue					Integrated Waste Management	
	Measure A	Gas Tax	Special				
			Recreation				
ASSETS							
Cash and investments	\$ 3,124,756	\$ 1,573,142	\$ -	\$ -	\$ 640,281		
Cash with fiscal agents	-	-	-	-	-	-	
Receivables:							
Taxes	53,213	-	-	-	44,410		
Accounts - net	-	-	-	17,874	-	-	
Accrued interest	-	-	-	-	-	-	
Due from other governmental agencies	-	10,388	-	-	6,100		
Total assets	\$ 3,177,969	\$ 1,583,530	\$ 17,874	\$ 690,791			
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	-	351,580	50,451		7,641		
Deposits	-	-	24,075		-	-	
Due to other funds	-	-	25,527		-	-	
Unearned revenue	-	-	46,175		-	-	
Total liabilities	-	351,580	146,228		7,641		
Fund Balances:							
Restricted	3,057,969	1,198,842	-		683,150		
Assigned	120,000	33,108					
Unassigned	-	-	(128,354)		-	-	
Total fund balances	3,177,969	1,231,950	(128,354)		683,150		
Total liabilities and fund balances	\$ 3,177,969	\$ 1,583,530	\$ 17,874	\$ 690,791			

Special Revenue				Debt Service			
Other	Sister City	Joint Fire Training	Fee - Operating	Millbrae Station Area Developer	Debt Service Fund	Library Bonds	2004 Pension Obligation Bonds
\$ 4,291,297	\$ -	\$ -	\$ -	\$ 3,358,490	\$ 967,778	\$ 118,979	\$ 1,854
-	-	-	-	-	-	-	3,757
60,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 4,351,297	\$ -	\$ -	\$ -	\$ 3,358,490	\$ 967,778	\$ 118,979	\$ 5,611
19,509	-	-	-	4,567	-	-	2,237
-	-	-	-	97,586	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,509	-	-	-	102,153	-	-	2,237
4,331,788	-	-	-	3,256,337	967,778	118,979	3,374
-	-	-	-	-	-	-	-
4,331,788	-	-	-	3,256,337	967,778	118,979	3,374
\$ 4,351,297	\$ -	\$ -	\$ -	\$ 3,358,490	\$ 967,778	\$ 118,979	\$ 5,611

City of Millbrae
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Capital Projects		Total Non-Major Governmental Funds	
	Community Center			
	Developer Fee	Capital Project		
ASSETS				
Cash and investments	\$ 278,092	\$ 3,767,512	\$ 18,122,181	
Cash with fiscal agents	-	-	3,757	
Receivables:				
Taxes	-	-	97,623	
Accounts - net	130,593	-	208,467	
Accrued interest	-	-	-	
Due from other governmental agencies	-	-	16,488	
Total assets	\$ 408,685	\$ 3,767,512	\$ 18,448,516	
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	104,152	150,330	\$ 690,467	
Deposits	45,267	-	166,928	
Due to other funds	-	-	25,527	
Unearned revenue	-	-	46,175	
Total liabilities	149,419	150,330	929,097	
Fund Balances:				
Restricted	259,266	3,473,957	17,351,440	
		143,225	296,333	
Unassigned	-	-	(128,354)	
Total fund balances	259,266	3,617,182	17,519,419	
Total liabilities and fund balances	\$ 408,685	\$ 3,767,512	\$ 18,448,516	

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City of Millbrae

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2017

	Special Revenue Funds				Integrated Waste Management	
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management		
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	
Other taxes	542,642	456,866	-	-	-	
License and permits	-	-	-	-	-	
Charges for services	-	-	544,102	306,047		
Use of money and property	25,654	13,832	-	5,484		
Grants and intergovernmental	-	19,525	-	12,221		
Miscellaneous	-	-	63	-		
Total revenues	568,296	490,223	544,165		323,752	
EXPENDITURES:						
Current:						
General government	437	-	-	-	-	
Public safety	-	-	-	-	-	
Public works	75,586	317,019	-	212,668		
Culture and recreation	-	-	1,100,279	-		
Community development	-	-	-	-		
Capital outlay	-	452,102	-	-		
Debt service:						
Principal	-	-	-	-	-	
Interest, and fiscal charges	-	-	-	-	-	
Total expenditures	76,023	769,121	1,100,279		212,668	
REVENUES OVER (UNDER) EXPENDITURES	492,273	(278,898)	(556,114)		111,084	
OTHER FINANCING SOURCES (USES):						
Proceeds from insurance	-	-	-	-	-	
Transfers in	-	-	444,744	-	-	
Transfers out	-	-	-	-	-	
Total other financing sources (uses)	-	-	444,744		-	
Net change in fund balances	492,273	(278,898)	(111,370)		111,084	
FUND BALANCES:						
Beginning of the year	2,685,696	1,510,848	(16,984)	572,066		
End of year	\$ 3,177,969	\$ 1,231,950	\$ (128,354)		\$ 683,150	

Special Revenue Funds				Debt Service Funds			
Other	Sister City	Joint Fire Training	Millbrae Station Area Developer Fee - Operating	Library Fund	1999 COPS	2004 Pension Obligation Bonds	
\$ -	\$ -	\$ -	\$ -	\$ 632,076	\$ -	\$ -	
-	-	-	-	-	-	-	
40,404	-	-	-	-	-	-	
218,468	-	-	5,919	-	-	-	
38,762	-	-	-	-	-	3,374	
110,772	-	-	-	-	-	-	
<u>17,386</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,035,237</u>	
<u>425,792</u>	<u>-</u>	<u>4</u>	<u>5,919</u>	<u>632,076</u>	<u>-</u>	<u>1,038,611</u>	
1,272	-	-	-	800	-	500	
-	-	-	-	-	-	-	
149,876	-	-	-	-	-	-	
442,603	-	-	-	-	-	-	
11,633	-	-	8,226	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	200,000	187,000	1,030,000	
-	-	-	-	398,315	76,125	4,737	
<u>605,384</u>	<u>-</u>	<u>-</u>	<u>8,226</u>	<u>599,115</u>	<u>263,125</u>	<u>1,035,237</u>	
<u>(179,592)</u>	<u>-</u>	<u>4</u>	<u>(2,307)</u>	<u>32,961</u>	<u>(263,125)</u>	<u>3,374</u>	
125,000	-	-	-	-	261,078	-	
(50,811)	(13,038)	-	-	-	-	-	
<u>74,189</u>	<u>(13,038)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261,078</u>	<u>-</u>	
(105,403)	(13,038)	4	(2,307)	32,961	(2,047)	3,374	
4,437,191	13,038	(4)	3,258,644	934,817	121,026	-	
<u>\$ 4,331,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,256,337</u>	<u>\$ 967,778</u>	<u>\$ 118,979</u>	<u>\$ 3,374</u>	

City of Millbrae

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2016

	Capital Project Fund		Total Non-Major Governmental Funds	
	Community Center			
	Developer Fees	Capital Project		
REVENUES:				
Property taxes	\$ -	\$ -	\$ 632,076	
Other taxes	-	-	999,508	
License and permits	-	-	40,404	
Charges for services	555,277	-	1,629,813	
Use of money and property	-	12,707	99,813	
Grants and intergovernmental	-	-	142,518	
Miscellaneous	-	50,000	1,102,690	
Total revenues	555,277	62,707	4,646,822	
EXPENDITURES:				
Current:				
General government	-	-	3,009	
Public safety	-	-	-	
Public works	-	423,599	1,178,748	
Culture and recreation	-	-	1,542,882	
Community development	552,186	-	572,045	
Capital outlay	-	422,993	875,095	
Debt service:				
Principal	-	-	1,417,000	
Interest, and fiscal charges	-	-	479,177	
Total expenditures	552,186	846,592	6,067,956	
REVENUES OVER (UNDER) EXPENDITURES	3,091	(783,885)	(1,421,134)	
OTHER FINANCING SOURCES (USES):				
Proceeds from insurance	-	4,401,067	4,401,067	
Transfers in	-	-	830,822	
Transfers out	-	-	(63,849)	
Total other financing sources (uses)	-	4,401,067	766,973	
Net change in fund balances	3,091	3,617,182	(654,161)	
FUND BALANCES:				
Beginning of the year	256,175		13,772,513	
End of year	\$ 259,266	\$ 3,617,182	\$ 13,118,352	

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City of Millbrae

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2017

	Special Revenue Funds					
	Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	567,041	542,642	(24,399)	675,382	456,866	(218,516)
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	8,157	25,654	17,497	5,438	13,832	8,394
Grants and intergovernmental	-	-	-	-	19,525	19,525
Miscellaneous	-	-	-	-	-	-
Total revenues	575,198	568,296	(6,902)	680,820	490,223	(190,597)
EXPENDITURES:						
Current:						
General government	500	437	63	-	-	-
Public safety	-	-	-	-	-	-
Public works	80,950	75,586	5,364	179,300	317,019	(137,719)
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	452,102	(452,102)
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
Total expenditures	81,450	76,023	5,427	179,300	769,121	(589,821)
REVENUES OVER (UNDER) EXPENDITURES	493,748	492,273	(1,475)	501,520	(278,898)	(780,418)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	\$ 493,748	492,273	\$ (1,475)	\$ 501,520	(278,898)	\$ (780,418)
Beginning Fund Balances		2,685,696			1,510,848	
Ending Fund Balances (Deficits)		\$ 3,177,969			\$ 1,231,950	

Special Revenue Funds									
Special Recreation			Integrated Waste Management						
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)				
\$	\$	\$	\$	\$	\$				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
1,023,462	544,102	(479,360)	506,060	306,047	(200,013)				
-	-	-	-	5,484	5,484				
-	-	-	-	12,221	12,221				
-	63	63	-	-	-				
<u>1,023,462</u>	<u>544,165</u>	<u>(479,297)</u>	<u>506,060</u>	<u>323,752</u>	<u>(182,308)</u>				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	69,830	212,668	(142,838)				
1,283,214	1,100,279	182,935	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
<u>1,283,214</u>	<u>1,100,279</u>	<u>182,935</u>	<u>69,830</u>	<u>212,668</u>	<u>(142,838)</u>				
<u>(259,752)</u>	<u>(556,114)</u>	<u>(296,362)</u>	<u>436,230</u>	<u>111,084</u>	<u>(325,146)</u>				
444,744	444,744	-	-	-	-				
-	-	-	-	-	-				
<u>444,744</u>	<u>444,744</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>				
\$ 184,992	(111,370)	\$ (296,362)	\$ 436,230	111,084	\$ (325,146)				
	(16,984)			572,066					
	<u>\$ (128,354)</u>			<u>\$ 683,150</u>					

City of Millbrae

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2017

	Special Revenue Funds					
	Other		Variance Positive (Negative)	Sister City		
	Budget	Actuals		Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	13,962	40,404	26,442	-	-	-
Charges for services	246,227	218,468	(27,759)	-	-	-
Use of money and property	10,196	38,762	28,566	102	-	(102)
Grants and intergovernmental	277,230	110,772	(166,458)	-	-	-
Miscellaneous	-	17,386	17,386	2,999	-	(2,999)
Total revenues	547,615	425,792	(121,823)	3,101	-	(3,101)
EXPENDITURES:						
Current:						
General government	500	1,272	(772)	-	-	-
Public safety	-	-	-	-	-	-
Public works	44,100	149,876	(105,776)	-	-	-
Culture and recreation	135,365	442,603	(307,238)	-	-	-
Community development	15,300	11,633	3,667	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
Total expenditures	195,265	605,384	(410,119)	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	352,350	(179,592)	(531,942)	3,101	-	(3,101)
OTHER FINANCING SOURCES (USES):						
Transfers in	125,000	125,000	-	-	-	-
Transfers out	-	(50,811)	(50,811)	-	(13,038)	(13,038)
Total other financing sources (uses)	125,000	74,189	(50,811)	-	(13,038)	(13,038)
Net change in fund balances	\$ 477,350	(105,403)	\$ (582,753)	\$ 3,101	\$ (13,038)	\$ (16,139)
Beginning Fund Balances		4,437,191			13,038	
Ending Fund Balances (Deficits)		\$ 4,331,788			\$ -	

Special Revenue Funds										Debt Service Funds				
Joint Fire Training					Millbrae Station Developer Fees - Operating					Library Fund				
Budget		Actual		Variance	Budget		Actual		Variance	Budget		Actual		Variance
				Positive (Negative)					Positive (Negative)					Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 718,921	\$ 632,076	\$ -	\$ -	\$ (86,845)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	296,783	-	5,919	-	(290,864)	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>70,611</u>	<u>4</u>	<u>(70,607)</u>	<u>296,783</u>	<u>5,919</u>	<u>(290,864)</u>	<u>718,921</u>	<u>632,076</u>	<u>(86,845)</u>						
<u>70,611</u>	<u>4</u>	<u>(70,607)</u>	<u>296,783</u>	<u>5,919</u>	<u>(290,864)</u>	<u>718,921</u>	<u>632,076</u>	<u>(86,845)</u>						
-	-	-	-	-	-	-	-	-	-	800	(800)			
-	-	-	-	-	-	-	-	-	-	-	-			
-	-	-	-	-	-	-	-	-	-	-	-			
-	-	-	-	-	8,226	-	(8,226)	-	-	-	-			
-	-	-	-	-	-	-	-	-	-	200,000	200,000			
-	-	-	-	-	-	-	-	-	-	394,188	398,315			(4,127)
-	-	-	-	-	8,226	-	(8,226)	-	-	594,188	599,115			(4,927)
<u>70,611</u>	<u>4</u>	<u>(70,607)</u>	<u>296,783</u>	<u>(2,307)</u>	<u>(299,090)</u>	<u>124,733</u>	<u>32,961</u>	<u>(91,772)</u>						
-	-	-	-	-	-	-	-	-	-	-	-			
-	-	-	-	-	-	-	-	-	-	-	-			
-	-	-	-	-	-	-	-	-	-	-	-			
<u>\$ 70,611</u>	<u>4</u>	<u>\$ (70,607)</u>	<u>\$ 296,783</u>	<u>(2,307)</u>	<u>\$ (299,090)</u>	<u>\$ 124,733</u>	<u>32,961</u>	<u>\$ (91,772)</u>						
		<u>(4)</u>			<u>3,258,644</u>					<u>934,817</u>				
		<u>\$ -</u>			<u>\$ 3,256,337</u>					<u>\$ 967,778</u>				

City of Millbrae

Combining Schedules of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds For the year ended June 30, 2017

	Debt Service Funds					
	1999 COPS			2004 Pension Obligation Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Obligation Bonds	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	-	-	-	-	3,374	3,374
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	1,176,241	1,035,237	(141,004)
Total revenues	-	-	-	1,176,241	1,038,611	(137,630)
EXPENDITURES:						
Current:						
General government	-	-	-	-	500	(500)
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	187,000	187,000	-	1,030,000	1,030,000	-
Interest, and fiscal charges	76,578	76,125	453	3,500	4,737	(1,237)
Total expenditures	263,578	263,125	453	1,033,500	1,035,237	(1,737)
REVENUES OVER (UNDER) EXPENDITURES	(263,578)	(263,125)	453	142,741	3,374	(139,367)
OTHER FINANCING SOURCES (USES):						
Transfers in	261,078	261,078	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	261,078	261,078	-	-	-	-
Net change in fund balances	\$ (2,500)	(2,047)	\$ 453	\$ 142,741	3,374	\$ (139,367)
Beginning Fund Balances		121,026				-
Ending Fund Balances (Deficits)		\$ 118,979			\$ 3,374	

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City of Millbrae

Combining Statement of Net Position

Internal Service Funds

June 30, 2017

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
ASSETS				
Current assets:				
Cash and investments	\$ 762,942	\$ 12,877	\$ 2,895,622	\$ 248,669
Receivables:				
Accounts - net	-	922	17,716	-
Due from other governmental agencies	-	-	-	14,226
Total current assets	<u>762,942</u>	<u>13,799</u>	<u>2,913,338</u>	<u>262,895</u>
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	<u>1,236,908</u>	<u>-</u>	<u>-</u>	<u>8,734</u>
Total capital assets	<u>1,236,908</u>	<u>-</u>	<u>-</u>	<u>8,734</u>
Total noncurrent assets	<u>1,236,908</u>	<u>-</u>	<u>-</u>	<u>8,734</u>
Total assets	\$ 1,999,850	\$ 13,799	\$ 2,913,338	\$ 271,629
DEFERRED OUTFLOWS OF RESOURCES				
Deferred employer pension contributions	21,981	-	6,994	5,495
Deferred outflows of resources - pension	<u>40,380</u>	<u>-</u>	<u>12,848</u>	<u>10,095</u>
Total deferred outflows of resources	62,361	-	19,842	15,590
LIABILITIES				
Current liabilities:				
Accounts payable and accrued payroll	\$ 23,740	\$ -	\$ -	\$ 41,411
Compensated absences	765	-	2,306	1,612
Accrued self insurance	-	-	425,000	243,965
Total current liabilities	<u>24,505</u>	<u>-</u>	<u>427,306</u>	<u>286,988</u>
Noncurrent liabilities:				
Compensated absences	6,882	-	20,750	14,504
Accrued self-insurance	-	-	1,834,000	-
Net Pension Liability	<u>285,293</u>	<u>-</u>	<u>90,774</u>	<u>71,323</u>
Total noncurrent liabilities	<u>292,175</u>	<u>-</u>	<u>1,945,524</u>	<u>85,827</u>
Total liabilities	316,680	-	2,372,830	372,815
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	11,068	-	3,522	2,767
Total deferred inflows of resources	11,068	-	3,522	2,767
NET POSITION				
Net investment in capital assets	1,236,908	-	-	8,734
Unrestricted	<u>497,555</u>	<u>13,799</u>	<u>556,828</u>	<u>(97,097)</u>
Total net position	\$ 1,734,463	\$ 13,799	\$ 556,828	\$ (88,363)

Leave Accrual	OPEB	Total
\$ 355,729	\$ 3,660,831	\$ 7,936,670
-	-	18,638
-	-	14,226
<u>355,729</u>	<u>3,660,831</u>	<u>7,969,534</u>
 - - -	 - - -	 1,245,642
 - - -	 - - -	 1,245,642
 - - -	 - - -	 1,245,642
<u>\$ 355,729</u>	<u>\$ 3,660,831</u>	<u>\$ 9,215,176</u>
 - - -	 - - -	 34,470
 - - -	 - - -	 63,323
 - - -	 - - -	 97,793
 \$ - -	 \$ - -	 \$ 65,151
 49,340	 - -	 54,023
 - -	 - -	 668,965
<u>49,340</u>	<u>- -</u>	<u>788,139</u>
 444,060	 - -	 486,196
 - -	 - -	 1,834,000
 - -	 - -	 447,390
<u>444,060</u>	<u>- -</u>	<u>2,767,586</u>
<u>493,400</u>	<u>- -</u>	<u>3,555,725</u>
 - - -	 - - -	 17,357
 - - -	 - - -	 17,357
 - - -	 - - -	 1,245,642
<u>(137,671)</u>	<u>3,660,831</u>	<u>4,494,245</u>
<u><u>\$ (137,671)</u></u>	<u><u>\$ 3,660,831</u></u>	<u><u>\$ 5,739,887</u></u>

City of Millbrae

Combining Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Funds For the year ended June 30, 2017

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
OPERATING REVENUES:				
Interdepartmental charges	\$ 801,849	\$ 21,834	\$ 561,041	\$ 500,000
Miscellaneous	3,869	-	-	14,226
Total operating revenues	805,718	21,834	561,041	514,226
OPERATING EXPENSES:				
Personnel services	163,526	-	-	70,295
Contractual services	118,077	19	30,755	43,818
Materials, supplies and other services	90,007	-	5,483	-
Depreciation	263,853	-	-	4,367
Insurance premiums and claims	6,743	15,310	80,753	532,935
Total operating expenses	642,206	15,329	116,991	651,415
OPERATING INCOME (LOSS)	163,512	6,505	444,050	(137,189)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	3,725	105	24,313	(1,231)
Gain/(loss) on sale	45,378	-	-	-
Total nonoperating revenues (expenses)	49,103	105	24,313	(1,231)
Change in net position	212,615	6,610	468,363	(138,420)
NET POSITION				
Beginning of year	1,521,848	7,189	88,465	50,057
End of year	\$ 1,734,463	\$ 13,799	\$ 556,828	\$ (88,363)

Leave Accrual	OPEB	Total
\$ -	\$ -	\$ 1,884,724
-	-	18,095
<hr/>	<hr/>	<hr/>
-	-	1,902,819
<hr/>	<hr/>	<hr/>
140,795	3,000,000	3,374,616
-	-	192,669
-	-	95,490
-	-	268,220
-	-	635,741
<hr/>	<hr/>	<hr/>
140,795	3,000,000	4,566,736
<hr/>	<hr/>	<hr/>
(140,795)	(3,000,000)	(2,663,917)
<hr/>	<hr/>	<hr/>
3,124	40,925	70,961
-	-	45,378
<hr/>	<hr/>	<hr/>
3,124	40,925	116,339
<hr/>	<hr/>	<hr/>
(137,671)	(2,959,075)	(2,547,578)
<hr/>	<hr/>	<hr/>
-	6,619,906	8,287,465
<hr/>	<hr/>	<hr/>
\$ (137,671)	\$ 3,660,831	\$ 5,739,887

City of Millbrae
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2017

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from others	\$ 3,869	\$ -	\$ -	\$ -
Cash received from other funds	801,849	21,599	543,325	500,000
Cash payments to suppliers for goods and services	(210,946)	-	(24,520)	(7,171)
Cash paid to employees	(160,214)	-	2,939	(68,400)
Claims paid	(6,743)	(15,310)	(289,753)	(293,970)
Net cash provided by operating activities	427,815	6,289	231,991	130,459
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(679,594)	-	-	-
Proceed from sale of capital assets	87,774	-	-	-
Net cash (used in) capital and related financing activities	(591,820)	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	4,507	110	26,507	(1,198)
Net cash provided by investing activities	4,507	110	26,507	(1,198)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(159,498)	6,399	258,498	129,261
CASH AND CASH EQUIVALENTS - Beginning of year	922,440	6,478	2,637,124	119,408
CASH AND CASH EQUIVALENTS - End of year	\$ 762,942	\$ 12,877	\$ 2,895,622	\$ 248,669
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	\$ 762,942	\$ 12,877	\$ 2,895,622	\$ 248,669
Total	\$ 762,942	\$ 12,877	\$ 2,895,622	\$ 248,669
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 163,512	\$ 6,505	\$ 444,050	\$ (137,189)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	263,853	-	-	4,367
Changes in assets and liabilities:				
Accounts receivable	-	(922)	(17,716)	(14,226)
Deferred outflows - pension	(32,925)	-	(10,477)	(8,231)
Accounts payable and accrued payroll	(2,862)	706	11,718	36,647
Deposits payable				
Compensated absences	(1,416)	-	1,432	712
Accrued self insurance	-	-	(209,000)	238,965
Net pension liability	47,569	-	15,135	11,893
Deferred inflows - pension	(9,916)	-	(3,151)	(2,479)
Total adjustments	264,303	(216)	(212,059)	267,648
Net cash provided by operating activities	\$ 427,815	\$ 6,289	\$ 231,991	\$ 130,459

Leave Accrual	OPEB	Total
\$ -	\$ -	\$ 3,869
-	-	1,866,773
-	-	(242,637)
-	(3,000,000)	(3,225,675)
-	-	(605,776)
<hr/>	<hr/>	<hr/>
-	(3,000,000)	(2,203,446)
<hr/>	<hr/>	<hr/>
		(679,594)
<hr/>	<hr/>	<hr/>
-	-	87,774
<hr/>	<hr/>	<hr/>
-	-	(591,820)
<hr/>	<hr/>	<hr/>
3,124	40,925	73,975
<hr/>	<hr/>	<hr/>
3,124	40,925	73,975
<hr/>	<hr/>	<hr/>
3,124	(2,959,075)	(2,721,291)
<hr/>	<hr/>	<hr/>
352,605	6,619,906	10,657,961
<hr/>	<hr/>	<hr/>
\$ 355,729	\$ 3,660,831	\$ 7,936,670
<hr/>	<hr/>	<hr/>
\$ 355,729	\$ 3,660,831	\$ 7,936,670
<hr/>	<hr/>	<hr/>
\$ (140,795)	\$ (3,000,000)	\$ (2,663,917)
<hr/>	<hr/>	<hr/>
-	-	268,220
<hr/>	<hr/>	<hr/>
-	-	(32,864)
-	-	(51,633)
-	-	46,209
<hr/>	<hr/>	<hr/>
140,795	-	141,523
-	-	29,965
-	-	74,597
-	-	(15,546)
<hr/>	<hr/>	<hr/>
140,795	-	460,471
<hr/>	<hr/>	<hr/>
\$ -	\$ (3,000,000)	\$ (2,203,446)
<hr/>	<hr/>	<hr/>

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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, notes disclosures, and required supplementary information says about the City.

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

1. Ratio of Outstanding Debt by Type
2. Ratio of General bonded Debt Outstanding
3. Computation of Direct and Overlapping Debt
4. Computation of Legal Bonded Debt Margin
5. Sewer Fund Revenue Bond and Loan Coverage

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

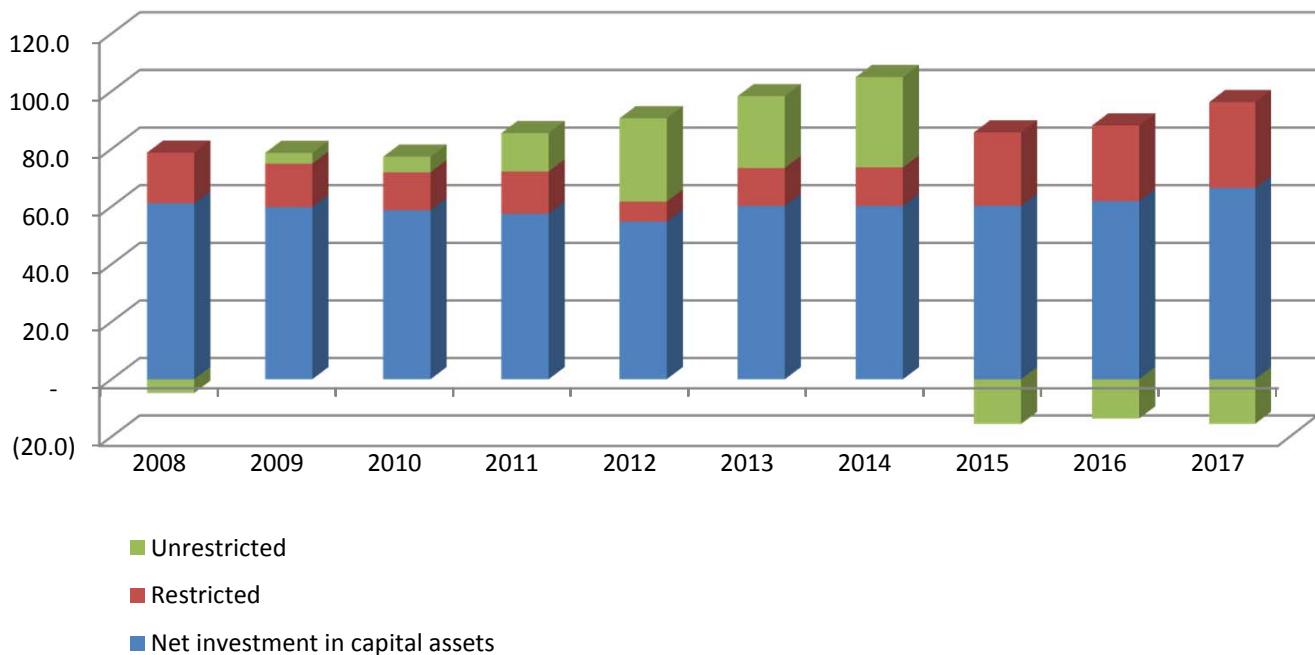
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services of the City provides and activities it performs.

1. Full-time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Assets by Function/Program
4. Taxable Sales by Category
5. Property Tax Dollar Breakdown

Sources

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

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



■ Unrestricted

■ Restricted

■ Net investment in capital assets

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	49.0	48.8	47.2	46.4	44.5	47.2	46.9	46.2	46.0	47.5
Restricted	17.6	15.1	13.2	14.7	6.9	13.2	13.4	25.4	26.2	29.8
Unrestricted	(8.8)	(4.8)	(3.7)	(0.1)	12.6	8.6	14.2	(24.6)	(20.1)	(19.4)
Total governmental activities net position	<u>57.8</u>	<u>59.1</u>	<u>56.7</u>	<u>61.0</u>	<u>64.0</u>	<u>69.0</u>	<u>74.5</u>	<u>47.0</u>	<u>52.1</u>	<u>57.9</u>
Business-type activities										
Net investment in capital assets	12.10	10.90	11.50	11.10	10.20	13.00	13.30	14.20	15.90	18.80
Unrestricted	4.10	8.50	9.10	13.30	16.40	16.20	17.10	9.10	6.40	3.90
Total business-type activities net position	<u>16.2</u>	<u>19.4</u>	<u>20.6</u>	<u>24.4</u>	<u>26.6</u>	<u>29.2</u>	<u>30.4</u>	<u>23.3</u>	<u>22.3</u>	<u>22.7</u>
Primary government										
Net investment in capital assets	61.1	59.8	58.7	57.5	54.8	60.2	60.2	60.3	61.9	66.4
Restricted	17.6	15.1	13.2	14.7	6.9	13.2	13.4	25.4	26.2	29.8
Unrestricted	(4.7)	3.7	5.4	13.3	28.9	24.9	31.3	(15.5)	(13.6)	(15.5)
Total primary government net position	<u>74.0</u>	<u>78.6</u>	<u>77.3</u>	<u>85.5</u>	<u>90.6</u>	<u>98.3</u>	<u>104.9</u>	<u>70.2</u>	<u>74.5</u>	<u>80.7</u>

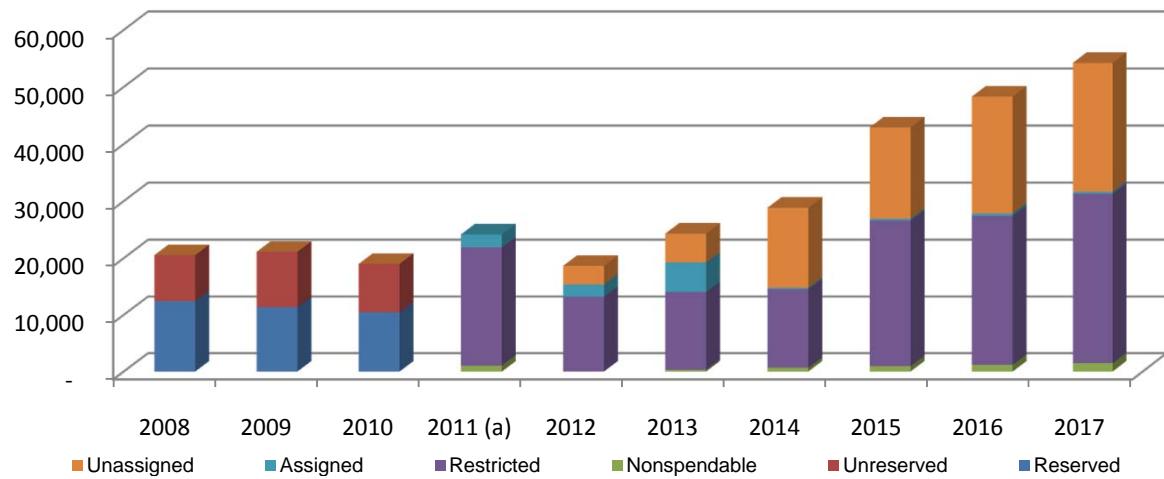
CITY OF MILLBRAE
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

Expenses	For the year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General Government	2.1	2.1	2.2	2.3	4.1	3.2	3.2	3.4	5.6	4.3
Public Safety	10.0	11.7	12.4	11.7	12.1	10.8	10.4	11.6	13.0	16.3
Public Works	4.3	4.1	3.6	2.4	1.1	2.7	2.5	3.0	3.0	4.3
Culture and Recreation	1.5	1.5	1.4	1.2	1.1	1.0	1.4	1.2	3.1	3.3
Community Development	5.1	6.9	8.6	6.3	2.9	2.7	3.6	4.3	3.2	3.0
Interest on Long-Term Debt	2.5	2.1	2.1	2.1	2.0	1.5	1.4	1.4	1.4	1.4
Total Governmental Activities Expenses	25.5	28.4	30.3	26.0	23.3	21.9	22.5	24.9	29.3	32.6
Business-Type Activities:										
Municipal Water System	4.2	4.4	4.9	5.1	5.9	6.4	6.5	6.7	8.4	8.4
Municipal Wastewater										
Treatment Facility	5.2	5.6	6.1	5.4	6.7	6.6	8.2	7.9	8.6	8.4
Storm Drain	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.4	0.3	0.8
Total Business-Type Activities Expenses	9.9	10.4	11.5	11.0	13.1	13.4	15.2	15.0	17.3	17.6
Total Primary Government Expenses	35.4	38.8	41.8	37.0	36.4	35.3	37.7	39.9	46.6	50.2
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	0.7	0.7	1.1	1.2	1.5	2.4	2.4	2.2	0.8	2.4
Public Safety	1.3	1.8	1.9	1.9	1.8	0.8	1.8	1.9	1.9	0.3
Public Works	0.4	1.9	0.4	0.4	0.4	1.1	0.4	0.5	0.5	0.7
Culture and Recreation	0.7	0.9	0.9	1.0	1.0	1.0	0.9	0.9	0.9	0.6
Community Development	1.1	3.3	2.0	3.6	1.1	1.0	1.0	2.0	1.7	1.3
Operating Grants and Contributions	1.2	1.7	1.2	1.1	0.8	1.6	0.9	1.0	0.9	5.1
Total Government Activities	1.2	1.7	1.2	1.1	0.8	1.6	0.9	1.0	0.9	5.1
Program Revenues	5.4	10.3	7.5	9.2	6.6	7.9	7.4	8.5	6.7	10.3
Business-Type Activities:										
Charges for Services:										
Municipal Water System	4.9	5.7	5.4	5.8	6.2	6.7	7.0	6.2	6.0	5.7
Municipal Wastewater										
Treatment Facility	5.8	6.4	7.5	8.4	8.4	8.5	8.6	8.4	9.9	11.2
Storm Drain	0.2	0.2	0.2	0.3	0.3	0.2	0.3	0.4	0.3	0.3
Total Business-Type Activities	10.9	12.3	13.1	14.5	14.9	15.4	15.9	15.0	16.2	17.2
Program Revenues	10.9	12.3	13.1	14.5	14.9	15.4	15.9	15.0	16.2	17.2
Total Primary Government										
Program Revenues	16.3	22.6	20.6	23.7	21.5	23.3	23.3	23.5	22.9	27.5
Net (Expenses)/Revenue										
Governmental Activities	(20.1)	(18.1)	(22.8)	(16.8)	(16.7)	(14.0)	(15.1)	(16.4)	(22.6)	(22.4)
Business-Type Activities	1.0	1.9	1.6	3.5	1.8	2.1	0.7	-	(1.1)	(0.3)
Total Primary Government Net Expense	(19.1)	(16.2)	(21.2)	(13.3)	(14.9)	(11.9)	(14.4)	(16.4)	(23.7)	(22.7)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	11.9	13.1	13.4	13.4	10.9	9.2	10.1	10.8	11.4	12.0
Sales Taxes	2.2	2.4	2.0	2.2	2.2	2.2	2.3	2.7	2.8	2.8
Motor Vehicle in Lieu	0.1	0.1	0.1	0.1	-	-	-	-	-	-
Transient Occupancy Tax	3.3	2.8	2.9	3.7	3.9	5.0	6.1	7.5	8.2	8.0
Franchise Tax	0.7	0.7	1.0	1.0	1.0	0.9	1.2	1.0	1.1	1.2
Miscellaneous	0.7	0.3	0.3	0.3	0.2	0.8	0.1	0.4	1.4	2.0
Interest Earnings	1.0	(0.2)	0.3	0.2	0.2	0.4	0.4	0.3	0.7	0.2
Other Taxes	0.8	0.7	0.6	0.6	0.7	0.7	0.8	0.8	1.2	1.3
Transfers	(0.3)	(0.5)	0.4	(0.3)	(0.2)	(0.1)	(0.2)	0.4	0.1	(0.6)
Extraordinary item	-	-	-	-	0.8	-	-	-	-	1.3
Total Government Activities	20.4	19.4	21.0	21.2	19.7	19.1	20.8	23.9	26.9	28.2
Business-Type Activities:										
Interest Earnings	0.2	-	0.1	0.1	0.2	0.2	0.2	-	0.3	0.1
Miscellaneous	0.1	0.8	(0.3)	-	-	0.1	-	-	-	-
Transfers and Other	0.4	0.5	(0.4)	0.3	0.2	0.1	0.2	(0.4)	(0.1)	0.6
Total Business-Type Activities	0.7	1.3	(0.5)	0.4	0.4	0.4	0.4	(0.4)	0.2	0.7
Total Primary Government	21.1	20.7	20.5	21.6	20.1	19.5	21.2	23.5	27.1	28.9
Change in Net Position										
Governmental Activities	0.1	1.3	(2.0)	4.3	2.9	5.0	5.6	7.5	4.2	5.8
Business-Type Activities	1.9	3.3	1.1	3.9	2.1	2.6	1.2	(0.4)	(0.9)	0.4
Total Primary Government	2.0	4.6	(0.9)	8.2	5.0	7.6	6.8	7.1	3.3	6.2

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



	June 30,				
	2008	2009	2010	2011 (a)	2012
General Fund					
Reserved	\$ 1,216,313	\$ 1,181,922	\$ 1,186,935		
Unreserved	1,684,476	1,567,044	1,675,398		
Nonspendable				1,040,100	29,860
Assigned				2,264,565	2,171,454
Unassigned				788,991	3,291,888
Total General Fund	2,900,789	2,748,966	2,862,333	4,093,656	5,493,202

	June 30,				
	2008	2009	2010	2011 (a)	2012
All Other Governmental Funds					
Reserved	11,216,290	10,174,496	9,253,798		
Restricted				20,860,686	13,174,286
Unassigned				(1,228,417)	(23,248)
Unreserved, reported in:					
Special revenue funds	5,411,096	6,267,513	4,914,750		-
Capital project funds	1,010,397	1,922,889	1,971,780		
Total all other govermental funds	\$ 17,637,783	\$ 18,364,898	\$ 16,140,328	\$ 19,632,269	\$ 13,151,038

	June 30,				
	2013	2014	2015	2016	2017
General Fund					
Nonspendable	298,057	672,576	932,312	1,183,977	1,473,046
Assigned	5,205,122	236,452	308,378	431,927	356,744
Unassigned	5,057,221	14,066,917	16,252,132	20,501,961	22,716,226
Total General Fund	10,560,400	14,975,945	17,492,822	22,117,865	24,546,016
All Other Governmental Funds					
Restricted	13,751,243	13,864,731	25,661,556	26,220,965	29,804,020
Assigned					296,333
Unassigned			(233,445)	(16,988)	(128,354)
Total all other govermental funds	\$ 13,751,243	\$ 13,864,731	\$ 25,428,111	\$ 26,203,977	\$ 29,971,999

(a) - The City implemented GASB No. 54 in fiscal year 2011

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

	Fiscal Year Ended June 30,			
	2008	2009	2010	2011
Revenue				
Taxes	19,167,621	20,081,107	19,922,116	20,876,511
Licenses, permits and fees	530,799	629,695	787,170	665,289
Charges for services	2,275,012	6,219,277	2,169,540	4,205,335
Fines and Forfeitures	592,195	854,587	1,097,610	1,313,498
Use of money and property	1,443,506	302,045	805,476	724,554
Grants and intergovernmental	1,295,216	1,802,482	2,300,750	1,798,705
Miscellaneous	792,893	239,237	672,299	834,417
Total Revenues	<u>26,097,242</u>	<u>30,128,430</u>	<u>27,754,961</u>	<u>30,418,309</u>
Expenditures				
Current:				
General government	1,846,271	1,801,585	1,690,298	1,796,972
Public safety	9,851,524	10,668,650	11,159,828	10,712,547
Public Works	2,175,594	1,995,038	2,070,733	1,620,416
Culture and recreation	1,456,488	1,442,001	1,296,878	1,105,585
Community development	5,071,248	5,207,855	9,669,345	5,862,770
Capital outlay	5,254,736	5,647,530	906,073	297,200
Debt service:				
Principal repayment	1,150,376	1,124,366	1,176,898	1,295,105
Interest and fiscal charges	<u>1,227,636</u>	<u>1,194,519</u>	<u>1,176,578</u>	<u>1,158,685</u>
Total Expenditures	<u>28,033,873</u>	<u>29,081,544</u>	<u>29,146,631</u>	<u>23,849,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,936,631)</u>	<u>1,046,886</u>	<u>(1,391,670)</u>	<u>6,569,029</u>
Other Financing Sources (Uses)				
Transfers in	3,461,056	7,930,991	4,892,099	3,049,536
Transfers (out)	(4,011,125)	(8,403,585)	(5,229,632)	(4,895,301)
Premium on issuance of long-term debt				
Long-term debt issuance	25,000			
Payment to refunding escrow agent				
Proceeds from insurance				
Sale of capital assets	<u>1,000</u>			
Total other financing sources (uses)	<u>(525,069)</u>	<u>(471,594)</u>	<u>(337,533)</u>	<u>(1,845,765)</u>
Net change in fund balances before extraordinary item	<u>(2,461,700)</u>	<u>575,292</u>	<u>(1,729,203)</u>	<u>4,723,264</u>
Extraordinary item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u><u>(2,461,700)</u></u>	<u><u>575,292</u></u>	<u><u>(1,729,203)</u></u>	<u><u>4,723,264</u></u>
Debt services as a percentage of noncapital expenditures	11.7%	11.0%	9.1%	11.6%

Fiscal Year Ended June 30,

2012	2013	2014	2015	2016	2017
18,724,073	17,879,783	20,491,692	22,869,151	25,305,817	25,736,381
998,214	1,633,463	843,018	864,939	669,389	612,279
2,462,577	2,432,939	2,540,041	3,842,299	2,888,755	2,437,313
1,223,209	1,165,881	1,261,992	464,115	1,584,307	1,550,814
781,252	787,221	1,067,420	1,277,810	1,210,899	956,301
808,281	1,968,688	1,975,155	2,173,280	373,409	955,343
<u>665,205</u>	<u>1,063,882</u>	<u>422,202</u>	<u>584,381</u>	<u>1,392,308</u>	<u>1,727,033</u>
25,662,811	26,931,857	28,601,520	32,075,975	33,424,884	33,975,464
2,160,416	2,614,832	2,659,058	3,079,194	4,907,667	3,747,857
11,665,202	9,986,838	10,385,421	11,339,762	12,373,974	13,759,054
1,780,137	1,954,495	1,589,400	1,771,152	2,052,366	3,782,092
1,055,993	934,198	1,134,919	1,122,374	2,941,985	3,189,469
4,234,460	2,319,047	3,292,345	3,897,871	2,707,551	2,850,662
760,286	1,722,942	827,351	1,034,074	1,188,912	2,337,047
1,289,000	1,183,000	1,436,000	1,304,000	1,360,000	1,417,000
<u>1,102,398</u>	<u>611,307</u>	<u>511,310</u>	<u>500,834</u>	<u>490,680</u>	<u>479,177</u>
24,047,892	21,326,659	21,835,804	24,049,261	28,023,135	31,562,358
1,614,919	5,605,198	6,765,716	8,026,714	5,401,749	2,413,106
1,658,279	978,332	2,110,769	1,755,350	1,373,422	1,266,671
(2,006,475)	(916,127)	(4,531,058)	(6,914,528)	(1,374,262)	(1,884,671)
	454,096				
2,555,000	9,745,000				
(2,850,000)	(10,015,490)				
				4,401,067	
25,221					
(617,975)	62,205	(2,236,683)	(5,159,178)	(840)	3,783,067
996,944	5,667,403	4,529,033	2,867,536	5,400,909	6,196,173
(6,078,629)	-	-	-	-	-
(5,081,685)	5,667,403	4,529,033	2,867,536	5,400,909	6,196,173
11.4%	10.1%	10.2%	8.5%	7.4%	7.0%

**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)
2008	2,733,074,818	263,281,277	36,695,559	92,843,377	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25739%
2009	2,966,830,896	305,280,936	36,957,380	117,992,283	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%
2012	3,182,354,909	380,230,791	37,670,906	38,936,275	3,639,192,881	64,777,111	3,703,969,992	3,703,969,992	0.28129%
2013	3,364,643,087	353,279,989	42,036,033	25,570,705	3,785,529,814	59,066,096	3,844,595,910	3,844,595,910	0.27960%
2014	3,564,999,133	370,956,256	41,702,249	31,783,896	4,009,441,534	64,752,022	4,074,193,556	4,074,193,556	0.14259%
2015	3,789,987,207	447,673,807	39,569,115	28,968,792	4,306,198,921	68,073,302	4,374,272,223	4,374,272,223	0.14225%
2016	4,034,137,050	498,922,841	40,581,168	31,913,768	4,605,554,827	82,815,102	4,688,369,929	4,688,369,929	0.14187%
2017	4,306,533,850	514,038,816	41,197,315	35,892,670	4,897,662,651	70,504,021	4,968,166,672	4,968,166,672	0.14091%

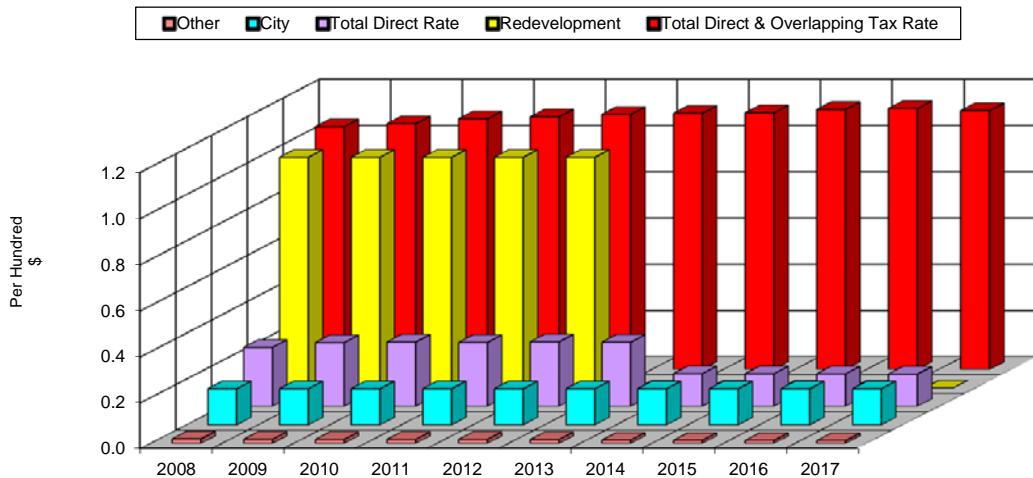
- (a) The California State Constitution requires property to be assess at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount, 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: HdI Companies
San Mateo County Assessor Combined Tax Rolls from 2007/2008-2016/2017

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX RATES ALL OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS



Fiscal Year	Basic Levy (a)	Schools	County	Total Direct & Overlapping Tax Rate (b)	City (c)	Other	Redevelopment (d)	Total Direct Rate (e)
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.25739
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.0176	1.0000	0.27861
2012	1.0000	0.0877	0.0175	1.1052	0.1579	0.0175	1.0000	0.28129
2013	1.0000	0.0930	0.0169	1.1099	0.1579	0.0169	-	0.27960
2014	1.0000	0.0977	0.0143	1.1120	0.1579	0.0143	-	0.14259
2015	1.0000	0.1130	0.0135	1.1265	0.1579	0.0135	-	0.14225
2016	1.0000	0.1177	0.0129	1.1306	0.1579	0.0129	-	0.14187
2017	1.0000	0.1092	0.0122	1.1214	0.1579	0.0122	-	0.14091

- (a) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for payment of any voter approved bonds.
- (b) Overlapping rates are those of local and county government that apply to property owners within the City. Not all overlapping rates apply to all City property owners.
- (c) The City's share of the 1.00% levy is based on the City's share of the General Fund tax rate area with the largest net taxable value within the City. Educational Revenue Augmentation (ERA) General Fund tax shifts may not be included in tax ratio figures.
- (d) The Redevelopment Agency (RDA) rate is based on the largest RDA tax rate area and includes only rate (s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABx1 26 eliminated RDAs from California for fiscal year 2012/13 and years thereafter.
- (e) Total Direct Rate is the weighted average of all individual direct rates applied by the Government preparing the statistical section information.

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

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

Top Property Owners Based on Net Values

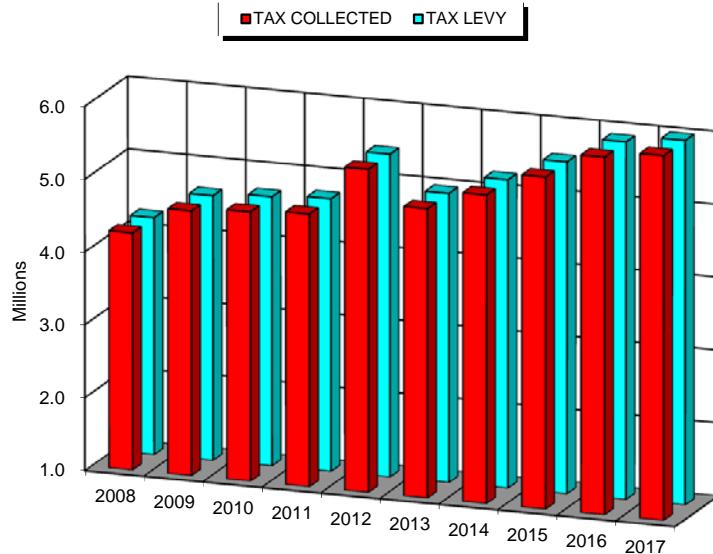
Owner / Taxpayer	Fiscal Year 2016-17		Fiscal Year 2007-08	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Millbrae WCP Hotel I LLC	75,483,390	1.52%		
Millbrae WCP Hotel II LLC	50,898,242	1.02%		
OR Property Holdings	36,981,896	0.74%		
RAC Investment Group LLC	34,478,498	0.69%		
Magnolia of Millbrae, Inc.	29,060,399	0.58%	26,503,634	0.83%
Great Mountain Properties, LLC	26,923,902	0.54%		
Marymount Greenhills LLC	23,034,972	0.46%	20,103,902	0.63%
RHC Associates	17,179,563	0.35%		
Friend Friend and Friend	16,481,403	0.33%		
Green Hills Country Club	15,001,978	0.30%		
Millbrae Paradise LLC			15,871,200	0.50%
Millbrae Town Plaza LP			12,436,420	0.39%
American Store Properties Inc.			11,558,213	0.36%
Real Property Storage LLC			10,929,332	0.34%
Westin Bay Hotel Company			44,238,112	1.39%
Song Hyosook			35,840,896	1.13%
PPC Townsquare Venture LLC			25,500,000	0.80%
Starwood S F Clarion Realty LLC			23,970,000	0.75%
TOTAL TOP TEN	325,524,243	6.53%	226,951,709	7.12%

Total Secured Assessed Valuation: \$ 4,968,166,672 \$ 3,182,502,355

Source: HdI Companies, San Mateo County Assessor Combined Tax Rolls from 2007/2008 and 2016/2017

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	TOTAL TAX LEVY (a)	TOTAL LEVY COLLECTED (c)	% of Tax Collected (c)	San Mateo County Collection Fee (b)
2008	4,251,621	4,251,621	100.0%	41,329
2009	4,630,356	4,630,356	100.0%	38,038
2010	4,692,363	4,692,363	100.0%	49,131
2011	4,740,414	4,740,414	100.0%	54,280
2012	5,430,088	5,430,088	100.0%	52,564
2013	4,965,353	4,965,353	100.0%	42,975
2014	5,230,684	5,230,684	100.0%	47,636
2015	5,552,793	5,552,793	100.0%	40,187
2016	5,903,172	5,903,172	100.0%	45,289
2017	6,315,358	6,315,358	100.0%	47,110

In 1995, the County began providing the City 100% of its Secured Tax levy pursuant to an agreement which allows the County to keep all interest and delinquency charges collected.

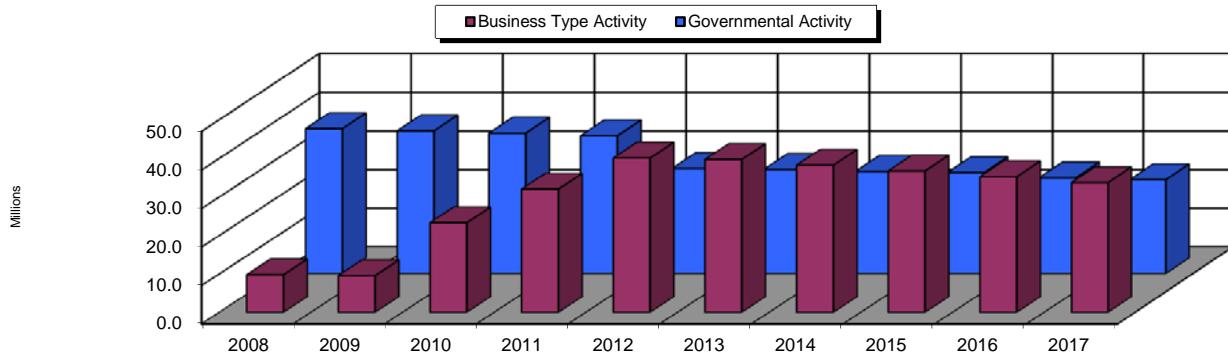
- (a) In Fiscal Year 2011-2012 Redevelopment was dissolved and Redevelopment funds were redistributed to all taxing entities pursuant to California Health and Safety Code Section 34183
- (b) San Mateo County Property Tax Collection Fee amounts are not available before 2008
- (c) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and San Mateo County 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. Under the Teeter Plan, the City of Millbrae receives 100% of the tax levy representing its share, and the County of San Mateo pursues any delinquencies.

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	Lease Revenue Financing (a)	TOTAL
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095
2012	10,045,000	14,889,318				2,426,555	27,360,873
2013	9,915,000	14,934,475				2,263,000	27,112,475
2014	9,545,000	14,957,390				2,097,000	26,599,390
2015	9,375,000	14,950,473				1,923,000	26,248,473
2016	9,190,000	13,991,203				1,743,000	24,924,203
2017	8,990,000	13,880,379				1,556,000	24,426,379

Business Type Activity

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL	Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2008		9,793,026	9,793,026	47,446,237	5.13%	2,280
2009		9,564,218	9,564,218	46,657,580	4.87%	2,189
2010	15,931,367	7,382,051	23,313,418	59,799,947	6.39%	2,777
2011	14,325,935	17,738,215	32,064,150	67,878,245	8.41%	3,090
2012	12,690,984	27,405,675	40,096,659	67,457,532	7.92%	3,057
2013	12,430,000	27,294,385	39,724,385	66,836,860	7.57%	3,007
2014	12,275,000	25,982,472	38,257,472	64,856,862	7.26%	2,869
2015	12,115,000	24,657,832	36,772,832	63,021,305	6.86%	2,786
2016	11,950,000	23,319,946	35,269,946	60,194,149	6.24%	2,602
2017	11,775,000	21,968,680	33,743,680	58,170,059	5.84%	2,511

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

(a) In 2011, the 1999 Certificates of Participation were refinanced through a lease revenue financing.

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

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

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

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2008	10,415,000	0.33%	488.71
2009	10,345,000	0.30%	480.47
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	462.49
2012	10,045,000	0.27%	455.16
2013	9,915,000	0.25%	446.06
2014	9,545,000	0.24%	422.25
2015	9,375,000	0.21%	414.51
2016	9,190,000	0.20%	406.33
2017	8,990,000	0.18%	388.04

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

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2017

2016-17 Assessed Valuation: \$4,968,182,625

	Total Debt	% Applicable (1)	City's Share of Debt 6/30/17
<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
San Mateo Community College District	\$611,812,998	2.59%	\$15,839,839
San Mateo Union High School District	532,761,586	7.384	39,339,116
Millbrae School District	56,014,527	61.574	34,490,385
City of Millbrae	8,990,000	100	8,990,000
California Statewide Communities Development Authority			
Assessment District No. 03-1, Glenborough/Pauls Project Area	1,421,907	100	1,421,907
California Statewide Communities Development Authority			
Assessment District No. 06-1, Park Broadway Project Area	1,395,945	100	1,395,945
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$101,477,192
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
San Mateo County General Fund Obligations	\$399,389,816	2.59%	\$10,340,202
San Mateo County Board of Education Certificates of Participation	9,330,000	2.589	241,554
City of Millbrae Lease Revenue Financing	1,556,000	100	1,556,000
City of Millbrae Pension Obligation Bonds	6,022,265	100	6,022,265
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$18,160,021
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>	\$6,300,000	100.00%	\$6,300,000
TOTAL DIRECT DEBT			\$16,568,265
TOTAL OVERLAPPING DEBT			\$109,368,948
COMBINED TOTAL DEBT			\$125,937,213

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes accrued interest.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:

Direct Debt (\$8,990,000)	0.18%
Total Direct and Overlapping Tax and Assessment Debt	2.04%
Total Direct Debt (\$16,568,265)	0.33%
Combined Total Debt	2.53%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$887,258,641):

Total Overlapping Tax Increment Debt	0.71%
--------------------------------------	-------

Source: California Municipal Statistics, Inc.

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF LEGAL BONDED DEBT MARGIN

June 30, 2017

ASSESSED VALUATION:

Secured Property Assessed Value	\$4,897,662,651
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$183,662,349
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	22,870,379
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Less Pension Obligation Bonds	<u>(13,880,379)</u>
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Amount of debt subject to the limit	8,990,000
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LEGAL BONDED DEBT MARGIN	\$174,672,349
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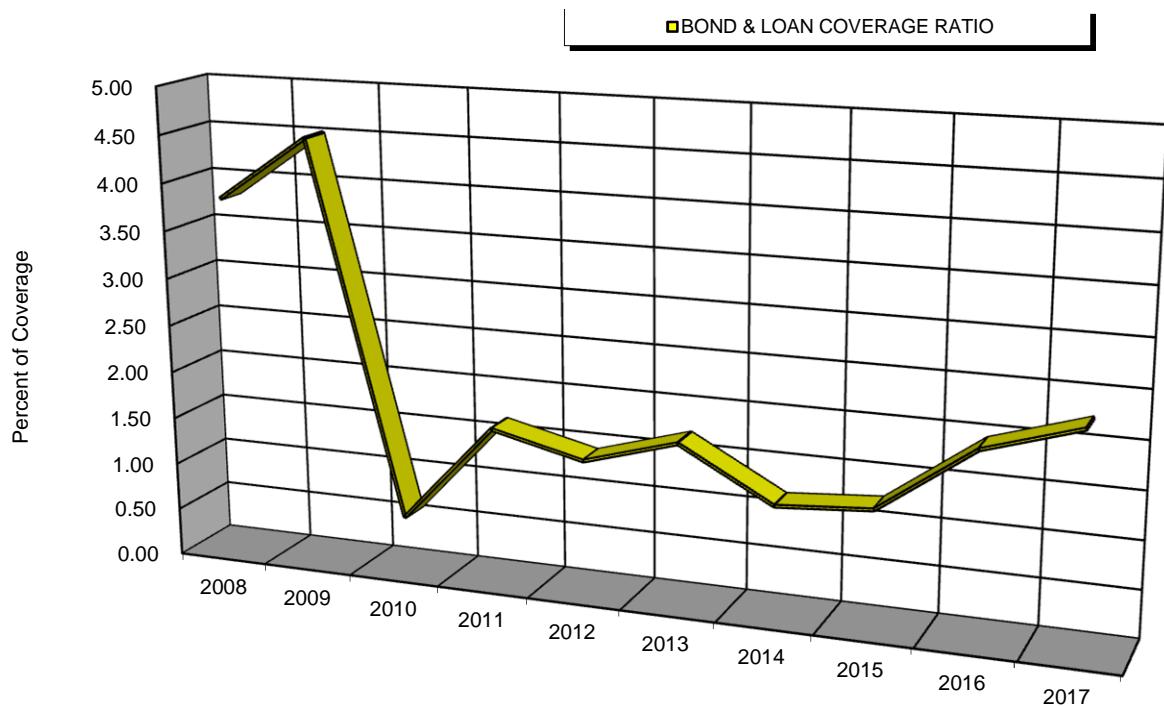
LAST TEN FISCAL YEARS

Fiscal Year	Debt Limit	Total Debt Subject to Limit	Legal Debt Margin	Percentage of Total Debt to Debt Margin
2008	119,343,838	10,415,000	108,928,838	9.56%
2009	131,317,264	10,345,000	120,972,264	8.55%
2010	133,572,889	10,260,000	123,312,889	8.32%
2011	134,571,731	10,160,000	124,411,731	8.17%
2012	136,469,733	10,045,000	126,424,733	7.95%
2013	142,509,037	9,915,000	132,594,037	7.48%
2014	150,354,058	9,545,000	140,809,058	6.78%
2015	161,482,460	9,375,000	152,107,460	6.16%
2016	172,708,306	9,190,000	163,518,306	5.62%
2017	183,662,349	8,990,000	174,672,349	5.15%

(a) California Government Code, Section 43605 sets the Debt Limit at 15%. Section 43605 was enacted prior to the change of basing assessed value at full market rate, which was previously 25% of the market rate. Therefore, the limit is shown as 3.75% to account for the full market rate of assessed valuation.

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND & LOAN COVERAGE RATIO
				Principal	Interest	Total	
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65
2012	8,496,612	5,302,863	3,193,749	1,630,000	624,798	2,254,798	1.42
2013	8,730,438	4,774,522	3,955,916	1,458,041	868,456	2,326,497	1.70
2014	8,699,499	5,668,142	3,031,357	1,466,913	1,131,503	2,598,416	1.17
2015	8,413,669	5,505,422	2,908,247	1,484,640	859,247	2,343,887	1.24
2016	10,123,692	5,562,583	4,561,109	1,502,886	838,469	2,341,355	1.95
2017	11,274,570	6,003,585	5,270,985	1,526,266	814,951	2,341,217	2.25

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

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

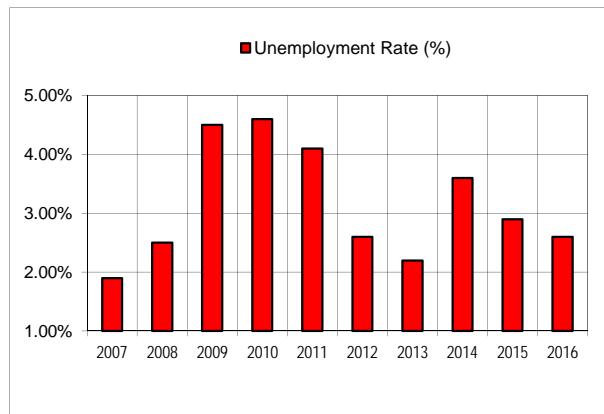
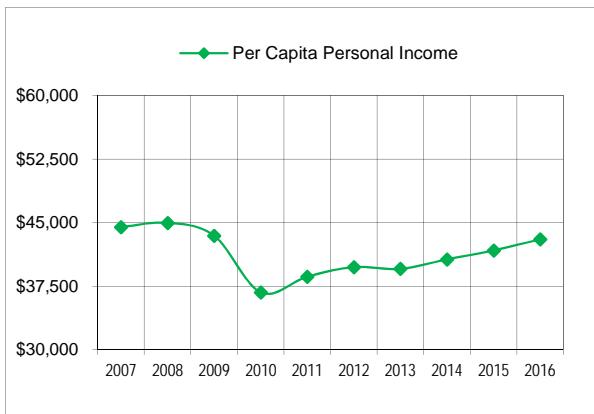
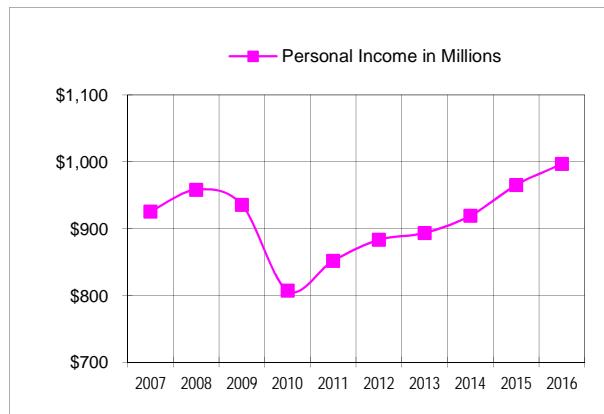
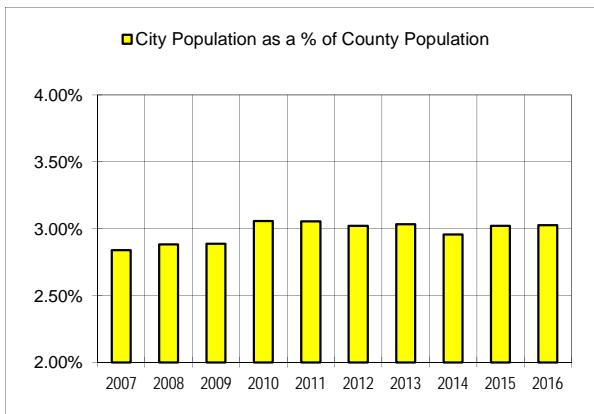
(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

CITY OF MILLBRAE STATISTICS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS



Calendar Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income in Millions	Per Capita Personal Income	Unemployment Rate (%)
2007	20,810	733,496	2.84%	\$925.5	\$44,476	1.9%
2008	21,311	739,469	2.88%	\$958.1	\$44,957	2.5%
2009	21,531	745,858	2.89%	\$935.5	\$43,450	4.5%
2010	21,968	718,451	3.06%	\$807.4	\$36,753	4.6%
2011	22,069	722,372	3.06%	\$852.0	\$38,604	4.1%
2012	22,228	735,678	3.02%	\$883.2	\$39,735	2.6%
2013	22,605	745,193	3.03%	\$893.6	\$39,530	2.2%
2014	22,617	765,135	2.96%	\$919.3	\$40,647	3.6%
2015	23,136	766,041	3.02%	\$965.1	\$41,713	2.9%
2016	23,168	765,895	3.02%	\$996.7	\$43,019	2.6%

Sources: State of California, Department of Finance
 State of California Employment Development Department
 US Census Bureau
 Complied by HDL Companies
 San Mateo County Controller's Office
 2017 data is not available

**CITY OF MILLBRAE
STATISTICS**

**Principal Employers
Last Fiscal Year and Nine Years Ago**

	Fiscal Year 2016-17			Fiscal Year 2007-08		
	Number of Employees	Rank	Percent of city Labor Force	Number of Employees	Rank	Percent of city Labor Force
San Francisco PUC (1)	230	1	1.84%	300	1	3.10%
Millbrae School District	224	2	1.79%	225	2	2.30%
Westin Hotel	206	3	1.65%			
Safeway	151	4	1.21%			
Millbrae Skilled Care (2)	150	5	1.20%			
Mills High School (3)	130	6	1.04%	130	7	1.40%
Magnolia of Millbrae	123	7	0.98%	130	8	1.40%
Best Western - El Rancho	122	8	0.98%	168	4	1.80%
City of Millbrae	105	9	0.84%	135	5	1.40%
MaryMount Greenhills Retirement Center	93	10	0.74%			
Starwood Resorts				200	3	2.10%
A & C Healthcare				135	6	1.40%
Millbrae Serra Sanitarium				125	9	1.30%
Mervyn's LLC				112	10	1.20%
TOTAL:	1,534		12.27%	1,660		17.30%
City Labor Force (4)				12,500		9,700

(1) San Francisco Public Utilities Commission (PUC) employee count at the Millbrae Location only

(2) Millbrae Skilled care was previously known as A & C Healthcare

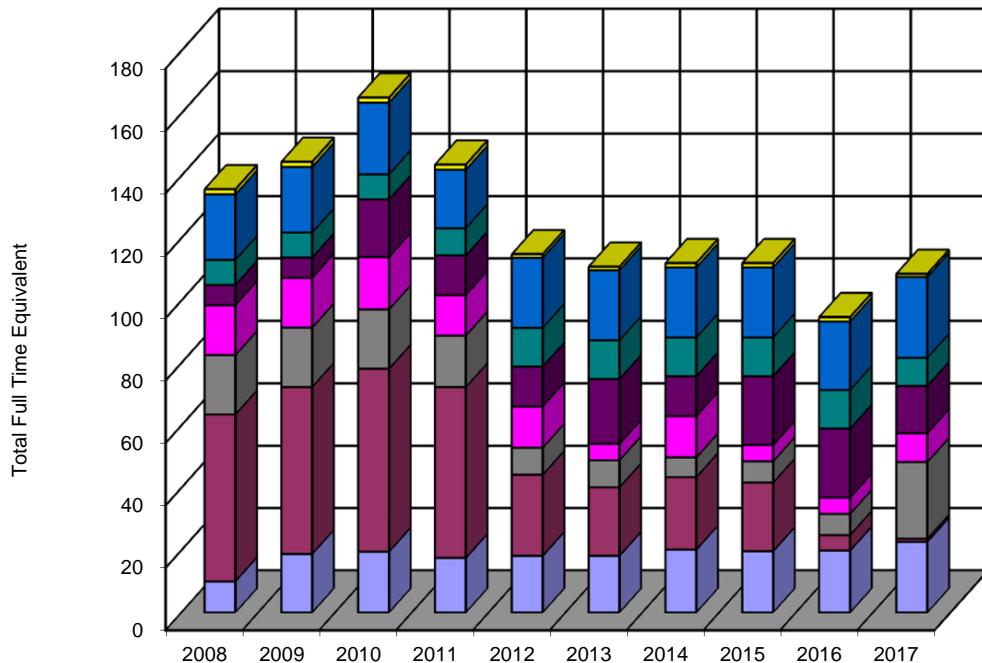
(3) Mills High School District employee count at Mills High School only

(4) State of California Employment Development Department Labor Force Data

**CITY OF MILLBRAE
STATISTICS**

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

General Government	Public Safety	Public Works	Community Development
Culture / Recreation	Water	Sanitation	Solid Waste



Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	10.00	18.78	19.50	17.50	18.15	18.15	20.15	19.65	19.85	22.65
Public Safety	53.50	53.50	58.63	54.75	26.00	22.00	23.25	22.00	5.00	1.00
Public Works	19.00	19.00	19.00	16.50	8.65	8.65	6.29	6.79	6.79	24.59
Community Development	16.00	16.00	16.80	13.00	13.25	5.25	13.25	5.25	5.25	9.25
Culture / Recreation	6.50	6.50	18.48	12.66	12.79	20.79	12.79	22.04	22.04	15.15
Water	8.00	8.00	8.00	8.75	12.39	12.39	12.39	12.39	12.39	9.00
Sanitation	21.00	21.00	23.00	18.75	22.45	22.45	22.45	22.45	21.95	25.91
Solid Waste	1.60	1.60	1.60	1.60	1.11	1.11	1.37	1.37	1.37	0.95
TOTAL	135.60	144.38	165.01	143.51	114.79	110.79	111.94	111.94	94.64	108.50

Note: The City's Public Safety functions are provided by the Central County Fire Department (since 2015) and the San Mateo County Sheriff's Office (since 2012)

Source: City of Millbrae Budget / Position Allocation

**CITY OF MILLBRAE
STATISTICS**

**OPERATING INDICATORS BY FUNCTION / PROGRAM
LAST TEN FISCAL YEARS**

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Fire										
Emergency Responses (a)	2,620	2,567	2,554	2,764	2,683	2,735	2,680	2,914	7,322	7,668
Primary Fire Inspections	261	327	410	527	639	602	388	546	1,179	1,454
Police										
Police Calls for Service	20,175	19,554	20,944	20,706	17,876	14,837	13,924	14,721	14,783	16,744
Part I and Part II Crimes	1,271	1,353	1,369	1,273	1,157	1,367	1,189	1,302	1,329	1,479
Physical Arrests (adult and juvenile)	699	732	789	677	576	445	558	735	716	614
Traffic Violations	1,248	1,817	2,121	2,139	1,834	1,932	1,171	1,601	1,366	1,904
Parking Violations	7,842	8,603	11,154	9,030	5,562	6,707	6,694	5,235	5,360	4,086
Public Works										
Street Resurfacing (miles) (b)	0	0	1	0	1	0	0	4	0.4	0.8
Potholes Repaired (square miles)	0.0000	0.0000	0.0007	0.0009	0.0008	0.0004	0.0009	0.0010	0.0010	0.0010
Culture and Recreation										
Community Services										
Recreation Class Participants	7,121	7,018	6,211	5,443	6,239	6,162	5,305	7,775	5,978	4,165
Library										
Volumes in Collection	110,876	111,447	109,241	109,595	110,550	113,345	105,796	116,959	124,000	107,287
Total Volumes Borrowed	577,350	616,145	633,241	578,739	550,956	548,010	501,348	498,492	466,531	450,113
Water										
Water Service Connections	6,435	6,459	6,474	6,499	6,546	6,549	6,540	6,568	6,556	6,547
Water Main Breaks	10	16	17	8	8	11	10	10	9	10
Average Daily Consumption (gallons)	2,337,811	2,762,618	2,197,884	2,075,149	2,024,473	2,110,022	2,097,301	1,888,136	1,598,519	1,901,364
Sanitation										
Sewer Service Connections										
Sewer Service Connections	6,437	6,459	6,474	6,499	6,546	6,549	6,560	6,568	6,556	6,547
Storm Drain Inlets	700	700	700	700	700	868	868	868	868	868
Sewer Main Blockages	34	10	19	8	6	2	1	6	5	5
Average Daily Treatment (gallons)	1,614,055	1,540,800	1,497,600	1,560,602	1,481,000	1,610,000	1,498,000	1,280,000	1,600,000	1,863,000
Solid Waste										
Recyclables Processed (tons per year)	3,153	2,954	2,900	2,831	2,681	2,817	2,566	2,612	2,597	2,674

(a) Total number of responses and inspections is a total for Central County Fire Department (CCFD). Their reporting system cannot separate responses or inspections for Millbrae only.

(b) In FY2015, a "micro surfacing" was completed resulting in significantly more street miles resurfaced.

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

Function / Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety (a)										
Fire Station	2	2	2	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1	1	1	1
Police Patrol Unit	17	17	17	17						
Public Works										
Miles of Streets (lane miles)	110	110	110	110	110	110	110	110	110	110
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	5	6	5	5	5
Roadway Landscaping Acreage	2	2	2	2	2	2	2	2	2	2
Culture and Recreation										
Community Services										
City Parks	14	14	14	14	14	14	14	14	14	14
City Park Acreage	104	104	104	104	104	104	104	104	104	104
Regional Park Facilities:										
Clubhouse / Banquet Facility	2	2	2	2	2	2	2	2	2	2
Historic House	2	2	2	2	2	2	2	2	2	2
Community Center (b)	1	1	1	1	1	1	1	1	1	-
Senior Center	1	1	1	1	1	1	1	1	1	1
Community Gardens	1	1	1	1	1	1				
City Trail	1	1	1	1	1	1	1	1	1	1
City Trail Miles	3	3	3	3	3	3	3	3	3	3
Playgrounds	6	6	6	6	6	6	6	6	6	6
Tennis Court	4	4	4	4	4	4	4	4	4	4
Baseball / Softball Diamond	5	5	5	5	5	5	9	9	9	9
Soccer / Football Field	1	1	1	1	1	1	3	3	3	3
Library										
City Library	1	1	1	1	1	1	1	1	1	1
Water										
Miles of Water Mains	70	70	70	70	70	70	70	70	70	70
Fire Hydrants	545	545	545	545	545	545	545	545	545	545
Storage Capacity (gallons)	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000	2,360,000
Sanitation										
Miles of Sanitary Sewers	56	56	56	56	56	56	56	56	56	56
Miles of Storm Sewers	21	21	21	21	21	21	21	21	21	21
Treatment Plant	1	1	1	1	1	1	1	1	1	1
Treatment Capacity (gallons)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000

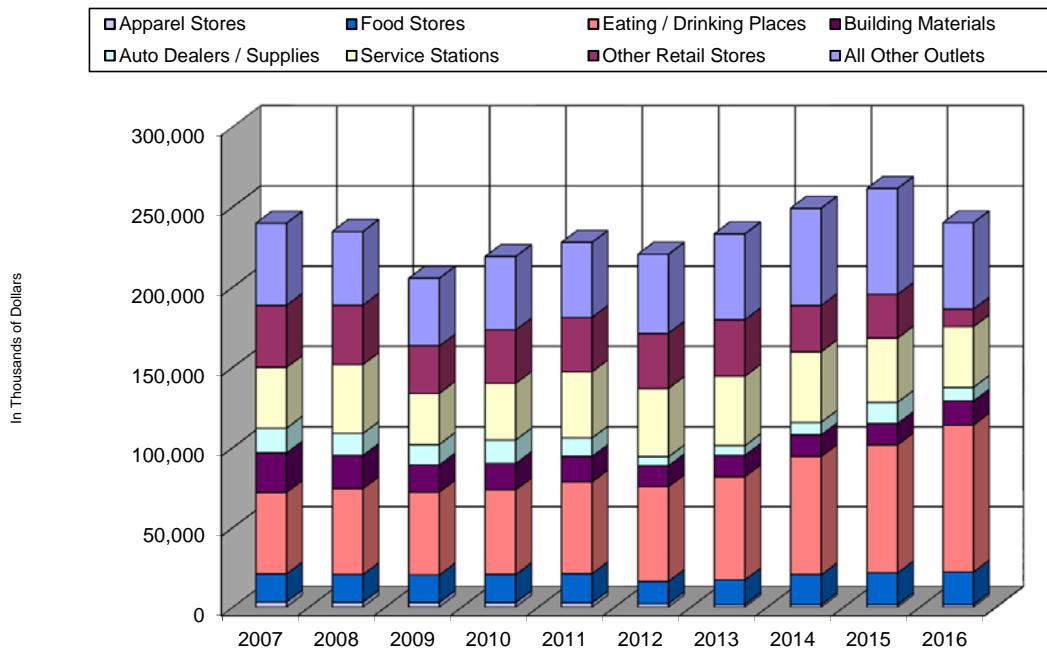
(a) In 2012, the Police Department and Fire Department were dissolved and San Mateo County Sheriff's Office provides law enforcement services through service agreement. In 2015, Fire Department activities were transferred to Central County Fire. Police and Fire facilities remained the responsibility of the City.

(b) In July 2016, the City's Community Recreation Center burned down.

Source: City of Millbrae / GIS System

**CITY OF MILLBRAE
STATISTICS**

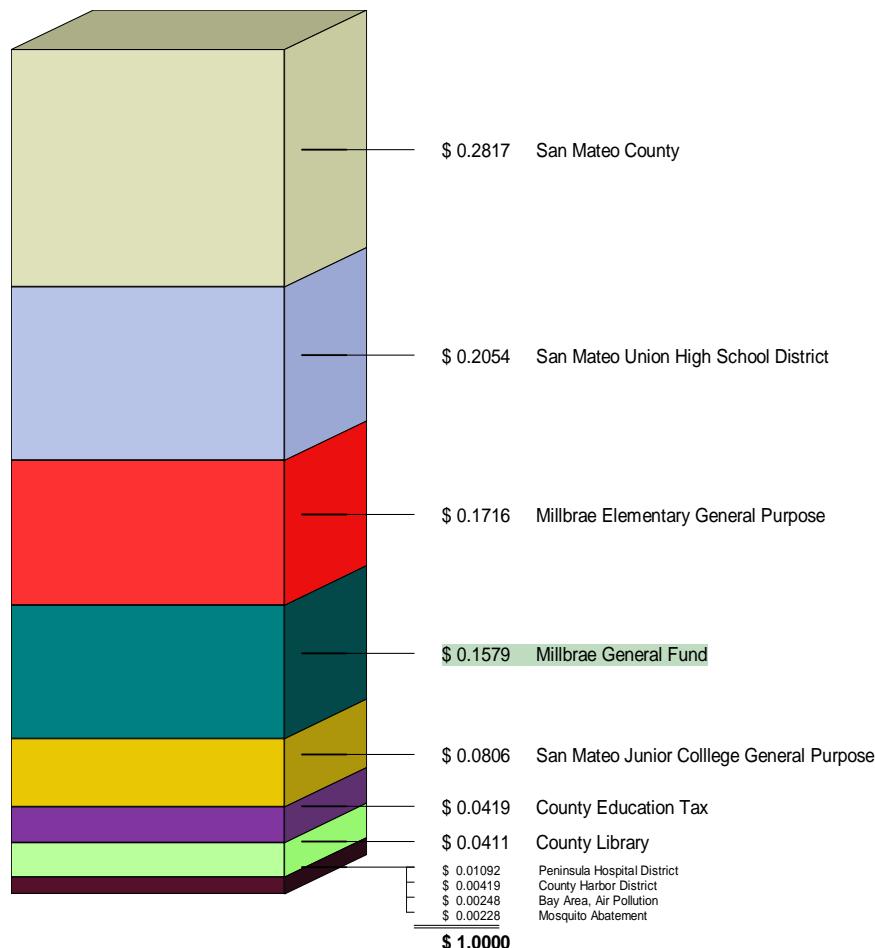
**TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS**



Sources: Hdl Companies
State of California Board of Equalization

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

THE CITY OF MILLBRAE PROPERTY TAX DOLLAR BREAKDOWN



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

Data Source: San Mateo County Assessor 2016/17 Annual Tax Increment Tables