



City of Millbrae Millbrae, California



Comprehensive Annual Financial Report
For the Year Ended June 30, 2016



MILLBRAE

CITY OF MILLBRAE

Millbrae, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

Prepared by

FINANCE DEPARTMENT

City of Millbrae
Comprehensive Annual Financial Report
For the year ended June 30, 2016

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
 <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	23
Statement of Activities	24
 Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	31
Statement of Revenues, Expenditures and Changes in Fund Balances.....	33
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities	34
 Proprietary Fund Financial Statements:	
Statement of Net Position.....	36
Statement of Revenues, Expenses and Changes in Net Position.....	37
Statement of Cash Flows	38

City of Millbrae
Comprehensive Annual Financial Report
For the year ended June 30, 2016

Table of Contents

FINANCIAL SECTION, Continued

Fiduciary Fund Financial Statements:

Statement of Fiduciary Net Position.....	40
Statement of Changes in Fiduciary Net Position.....	41

Notes to Basic Financial Statements	44
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Required Supplementary Information (Unaudited):

Budgets and Budgetary Accounting.....	94
Defined Benefit Pension Plan	96
Other Postemployment Benefits	98

Supplementary Information:

Non-Major Governmental Funds:

Combining Balance Sheet	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	106
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	110

Internal Service Funds:

Combining Statement of Net Position	116
Combining Statement of Revenues, Expenses and Changes in Net Position	118
Combining Statement of Cash Flows	120

STATISTICAL SECTION (Unaudited)

Net Position by Component – Last Ten Fiscal Years	124
Changes in Net Position – Last Ten Fiscal Years.....	125
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	127
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	128
Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	130
Property Tax Rates All Overlapping Governments – Last Ten Fiscal Years.....	131
Top Ten Property Tax Payers – Current Year 2015-16	132
Property Tax Levies and Collections – Last Ten Fiscal Years.....	133
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	134
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	135
Computation of Direct and Overlapping Debt.....	136
Computation of Legal Bonded Debt Margin	137
Sewer Fund Revenue Bond and Loan Coverage – Sewer Authority – Last Ten Fiscal Years.....	138

City of Millbrae
Comprehensive Annual Financial Report
For the year ended June 30, 2016

Table of Contents

STATISTICAL SECTION (Unaudited), Continued

Demographic and Economic Statistics - Last Ten Calendar Years.....	139
Principal Employers - Last Ten Calendar Years	140
Full-Time Equivalent City Employees by Function/Program - Last Ten Fiscal Years	141
Operating Indicators by Function/Program.....	142
Capital Assets by Function/Program	143
Taxable Sales by Category - Last Ten Calendar Years	144
Property Tax Dollar Breakdown.....	145
Sales Tax Percentage Breakdown	146

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City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

REUBEN D. HOLOBER
Mayor

GINA PAPAN
Vice Mayor

ANN SCHNEIDER
Councilwoman

WAYNE J. LEE
Councilman

ANNE OLIVA
Councilwoman

February 28, 2017

To the Honorable Mayor and Members of the City Council and Citizens of the City of Millbrae:

We are pleased to submit the City of Millbrae Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. Through a challenging recession and into this a long 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 its financial position of its government and business-type activities and that this report is audited by independent certified public accountants.

The 2016 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, 2016, 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, 2016, 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.

City Council/City Manager/City Clerk (650) 259-2334	Building Division/Permits (650) 259-2330	Community Development (650) 259-2341	Finance (650) 259-2350
Fire (650) 558-7600	Police (650) 259-2300	Public Works/Engineering (650) 259-2339	Recreation (650) 259-2360

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 22,800.

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 2016, the top priorities for 2016 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.*

The following goals were added after July 1, 2016:

- *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.

The Local Economy

The City's top three general fund revenue sources are property tax, sales tax, and transient occupancy tax. In fiscal year 2016, all three of these revenues performed well above budget and increased 19% from the prior year.

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. While property values have rebounded since recessionary lows, property tax allocated to the City of Millbrae remains below the values experienced before State action to dissolve redevelopment agencies. Between 2006 and 2015, the City of Millbrae's Assessment Roll has increased from 2.9 billion in property tax valuation to 4.7 billion. An increase of 59% over 10 years and an increase of 7% between 2014 and 2015. This resulted in an increase of 6% in property tax collections from the prior year.

The City's second largest source of revenue is Transient Occupancy Tax (TOT). The year over year growth in TOT during 2016 was 10%. During the preceding three years, year over year growth exceeded 20 percent primarily due to opening of new lodging establishments and the growth in the local tourist and business travel sectors.

Sales tax increased 3% from fiscal year 2015. This increase occurred despite the ongoing loss of a major retail location which is currently under construction for a new occupant. 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.

Current Economic Conditions and Outlook

San Mateo County reports that the City of Millbrae has a labor force of 12,300 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 5.5%. All rates are lower than the 2015 average.

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. 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
Finance Director

DIRECTORY OF CITY OFFICIALS

MAYOR

Anne Oliva

MEMBERS OF THE CITY COUNCIL

Reuben D. Holober

Wayne J. Lee

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

Kenneth Spray, CPA

Finance Director

John Kammeyer

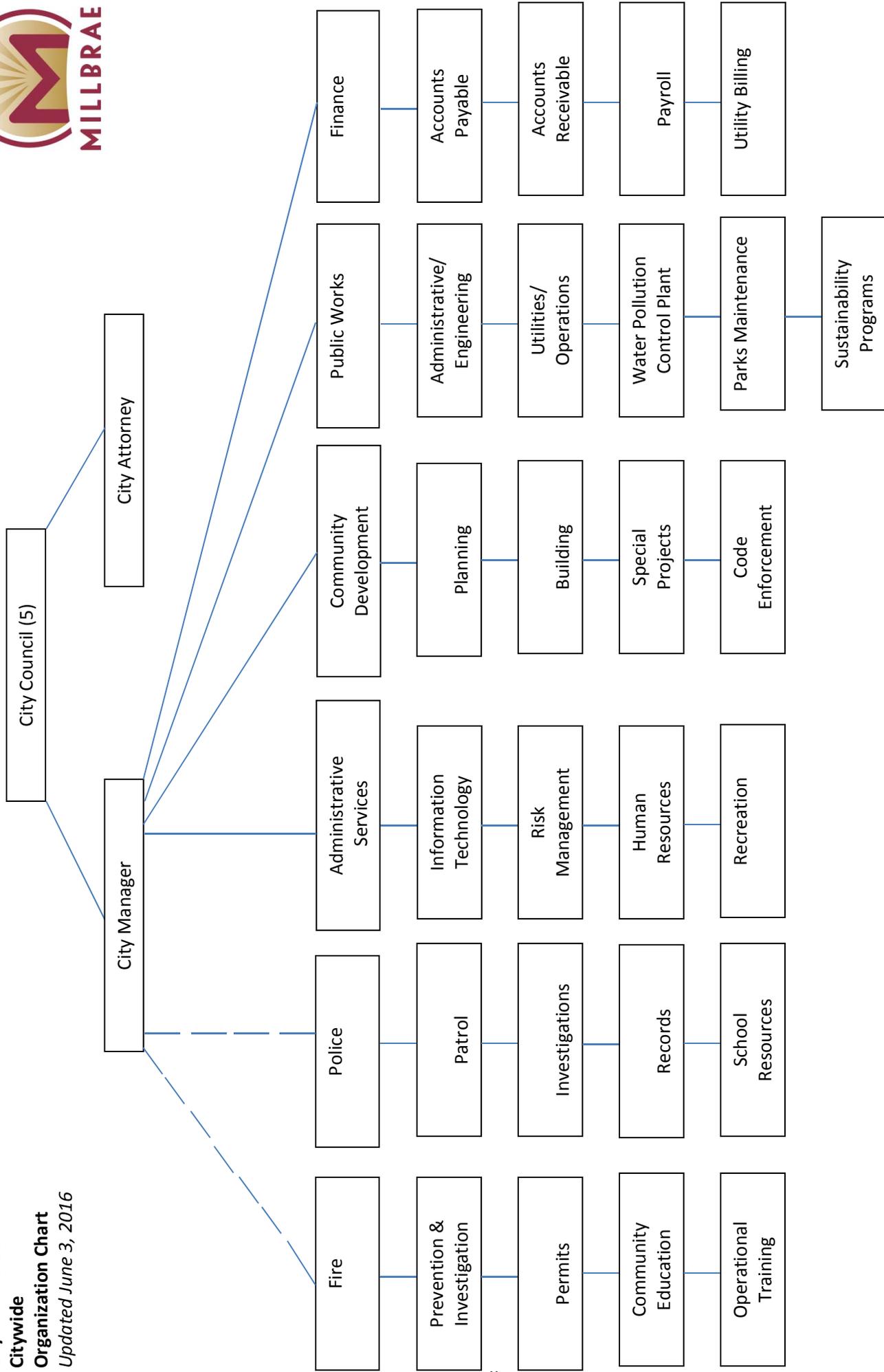
Fire Chief

Roger Copeland

Law Enforcement Services

Ray Chan

Public Works Director



Key
 Contracts: - - - - -



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, 2016, 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, 2016, 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 5-18 and 94-98 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 102-121 on pages 102-121 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 102-121 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 102-121 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 February 28, 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 cursive script that reads "Badawi & Associates".

Badawi and Associates
Certified Public Accountants
Oakland, California
February 28, 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, 2016. 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, 2016, the City's total net position increased by \$3.3 million or 4.7% from the prior year to \$74.5 million.
- The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$74.5M (net position). The total net position includes \$61.9M net investment in capital assets (land, building, and equipment), \$26.2 million in restricted net position, and negative \$13.6 million in unrestricted net position.
- Primary government revenues increased \$2.8 million or 6% from the prior year. Primary government expenses increased \$6.6 million or 16.5%.
- The City's governmental funds reported a combined ending fund balance of \$48.3 million, an increase of \$5.4 million or 12.6% from the previous year. Approximately \$20.5 million (42%) of this amount is available for spending at the City Council's discretion (unassigned fund balance).
- The City's General Fund unrestricted fund balance (total of committed, assigned, and unassigned fund balance) was \$22.1 million which represents 98% of general fund expenditures. A portion of this amount was used to fund capital improvements in fiscal year 2017.
- The City's net pension liability increased \$5.2 million or 18% from the prior year. The City has taken active steps to reduce post-employment benefit liability including setting funds in reserves for future Other Post-Employment Benefit (OPEB) liabilities. After June 30, 2016; the City set up an OPEB Trust Fund and set aside \$3.0 million in that fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

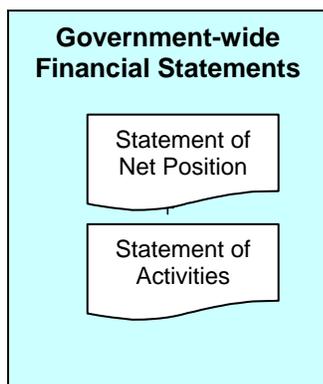
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The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

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

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

Government-wide Financial Statements

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



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

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

Both of the Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The *Governmental Activities* of the City include General Government, Public Safety, 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 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.

<p style="text-align: center;"><u>Fund</u></p> <p>A separate accounting entity with a self-balancing set of accounts</p> <p style="text-align: center;"><u>Fund Categories</u></p> <p>Governmental Funds Proprietary Funds Fiduciary Funds</p>
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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.

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

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

As shown on the following table, the City's net position was \$74.5 million as of June 30, 2016 compared to \$71.2 million at June 30, 2015, as restated due to interest accretion on the 2004 Pension Obligation Bonds in the amount of \$884,530. Net position for governmental activities increased \$4.2 million. This increase was primarily related to increased revenue collection (property tax, transient occupancy tax [TOT], and sales tax) resulting from a strong local economy. Net position for business-type activities decreased \$918,000 primarily resulting from decreasing revenues in the water utility due to conservation efforts and increased expenses due to increase in charges for water from the San Francisco Public Utilities Commission (SFPUC).

The largest portion of the City's net position is \$61.9 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 \$26.2 million (35.2%) and represents resources that are subject to external restrictions on use. At the end of fiscal year 2015-2016, the City had positive balances in most of the categories used to calculate net position for both for the Governmental and Business-type Activities. A notable exception is the Storm Drain Fund, discussed later.

Governmental Activities has a large unrestricted deficit net position due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions. This includes the City's net pension liability of \$34.3 million. The total net pension liability increased \$5.2 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
June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	61,627,194	56,176,258	17,813,088	17,902,723	79,440,282	74,078,981
Capital assets	55,544,579	55,966,041	50,018,851	51,035,112	105,563,430	107,001,153
Total assets	117,171,773	112,142,299	67,831,939	68,937,835	185,003,712	181,080,134
Deferred outflows	1,638,020	1,748,103	953,104	470,761	2,591,124	2,218,864
Liabilities						
Short-Term Liabilities	1,861,869	1,964,057	1,583,486	1,556,285	3,445,355	3,520,342
Long-Term Liabilities	57,188,710	55,060,100	42,052,462	41,492,189	99,241,172	96,552,289
Other liabilities	2,994,588	2,381,056	2,077,278	1,553,834	5,071,866	3,934,890
Total liabilities	62,045,167	59,405,213	45,713,226	44,602,308	107,758,393	104,007,521
Deferred inflows	4,678,549	7,525,701	679,451	1,495,736	5,358,000	9,021,437
Net position:						
Net investments in capital assets	45,958,067	46,174,786	15,944,747	14,161,542	61,902,814	60,336,328
Restricted						
Debt service	1,055,843	981,834			1,055,843	981,834
Gas tax	1,510,848	1,637,036			1,510,848	1,637,036
Developer fee – operating	3,258,644	3,217,488			3,258,644	3,217,488
Housing activities	12,431,464	12,413,931			12,431,464	12,413,931
Other special programs	5,278,470	4,881,907			5,278,470	4,881,907
Measure A	2,685,696	2,295,915			2,685,696	2,295,915
Unrestricted	(20,092,955)	(24,643,409)	6,447,619	9,149,010	(13,645,336)	(15,494,399)
Total net position	52,086,077	46,959,488	22,392,366	23,310,552	74,478,443	70,270,040

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 \$1.3 million from \$32.1 million to \$33.4 million. This increase primarily resulted from increases in tax revenue (property tax, TOT, and sales tax).
- This increase in expenses was primarily driven by increases in salary costs, retirement costs (as CalPERS rates are increasing over a number of years), and contract services (including public safety). In Fiscal Year 2016, the City made a \$.5 million one-time payment to the Successor Agency consistent with a State Controller's Office finding related to prior asset transfers, and the City increased its internal contribution to the OPEB fund. In addition, changes in department groupings within the financial statements resulted in increases in expenses in Culture and Recreation partially offset by a decrease in expenses in Community Development.

Analysis of the Changes in Net Position

CHANGE IN NET POSITION

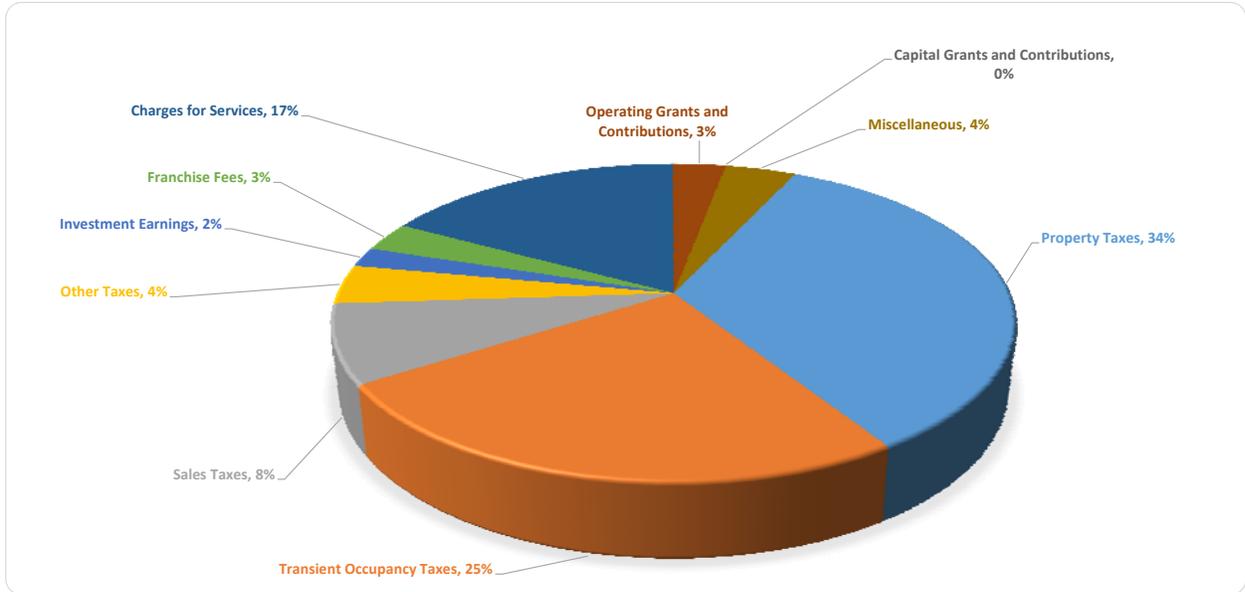
June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	5,724,986	7,559,386			5,724,986	7,559,386
Operating contributions and grants	909,931	1,013,115	26,609		936,540	1,013,115
Capital grants and contributions	-	-	-	-	-	-
Municipal water system			6,002,669	6,205,980	6,002,669	6,205,980
Waste water treatment			9,905,856	8,399,479	9,905,856	8,399,479
Storm drain			253,216	364,536	253,216	364,536
	<u>6,634,917</u>	<u>8,572,501</u>	<u>16,188,350</u>	<u>14,969,995</u>	<u>22,823,267</u>	<u>23,542,496</u>
General revenues						
Property taxes	11,434,498	10,839,730			11,434,498	10,839,730
Sales taxes	2,804,094	2,709,549			2,804,094	2,709,549
Transient Occupancy Taxes	8,210,016	7,467,020			8,210,016	7,467,020
Franchise fees	1,113,294	1,029,029			1,113,294	1,029,029
Other taxes	1,221,422	823,823			1,221,422	823,823
Investment earnings	654,861	298,921	307,219	34,835	962,080	333,756
Miscellaneous	1,393,608	369,939			1,393,608	369,939
General revenues subtotal	<u>26,831,793</u>	<u>23,538,011</u>	<u>307,219</u>	<u>34,835</u>	<u>27,139,012</u>	<u>23,572,846</u>
Total Revenues	<u>33,466,710</u>	<u>32,110,512</u>	<u>16,495,569</u>	<u>15,004,830</u>	<u>49,962,279</u>	<u>47,115,342</u>
Expenses by activity						
General government	5,572,348	3,428,522			5,572,348	3,428,522
Public safety	12,995,918	11,649,676			12,995,918	11,649,676
Public works	3,045,390	3,023,862			3,045,390	3,023,862
Culture and recreation	3,055,355	1,156,981			3,055,355	1,156,981
Community development	3,243,300	4,333,808			3,243,300	4,333,808
Interest on long term debt	1,386,334	1,431,115			1,386,334	1,431,115
Municipal water system			8,394,183	6,686,084	8,394,183	6,686,084
Waste water treatment			8,606,845	7,874,433	8,606,845	7,874,433
Storm drain			338,733	438,147	338,733	438,147
Total expenses	<u>29,298,645</u>	<u>25,023,964</u>	<u>17,339,761</u>	<u>14,998,664</u>	<u>46,638,406</u>	<u>40,022,628</u>
Increase (decrease) before transfers	4,168,065	7,086,548	(844,192)	6,166	3,323,873	7,092,714
Transfers	73,994	402,556	(73,994)	(402,556)	-	-
Change in Net Position	<u>4,242,059</u>	<u>7,489,104</u>	<u>(918,186)</u>	<u>(396,390)</u>	<u>3,323,873</u>	<u>7,092,714</u>
Beginning Net Position, as restated	<u>47,844,018</u>	<u>39,470,384</u>	<u>23,310,552</u>	<u>23,706,942</u>	<u>71,154,570</u>	<u>63,177,326</u>
Ending Net Position (June 30)	<u>52,086,077</u>	<u>46,959,488</u>	<u>22,392,366</u>	<u>23,310,552</u>	<u>74,478,443</u>	<u>70,270,040</u>

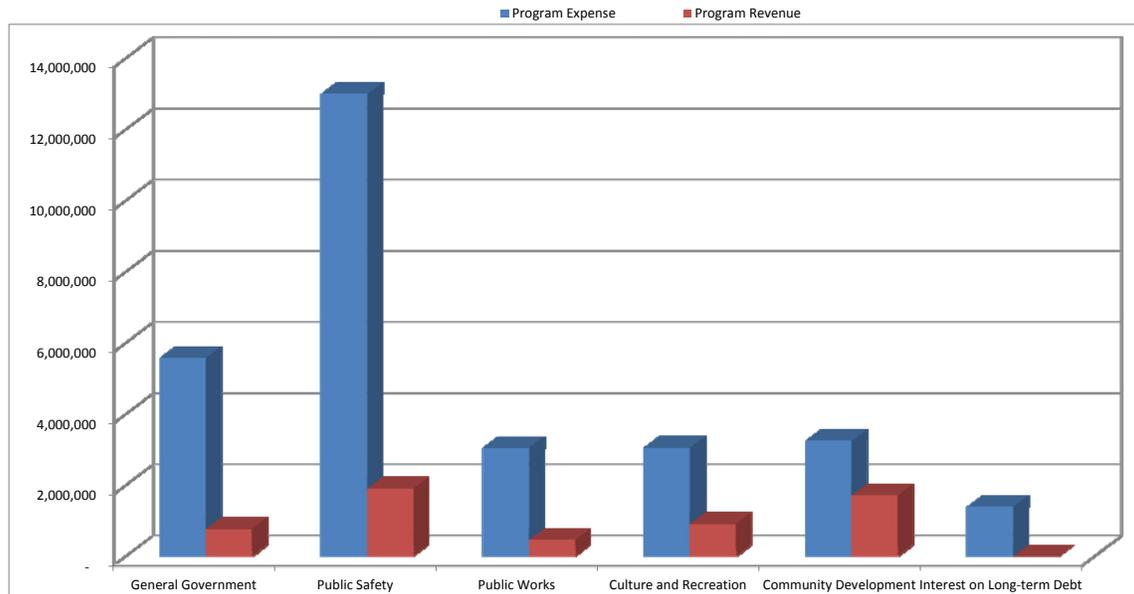
Governmental Activities

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

Governmental Activities REVENUES BY SOURCE FY 2015-2016



Governmental Activities PROGRAM EXPENSES AND PROGRAM REVENUES FY 2015-2016



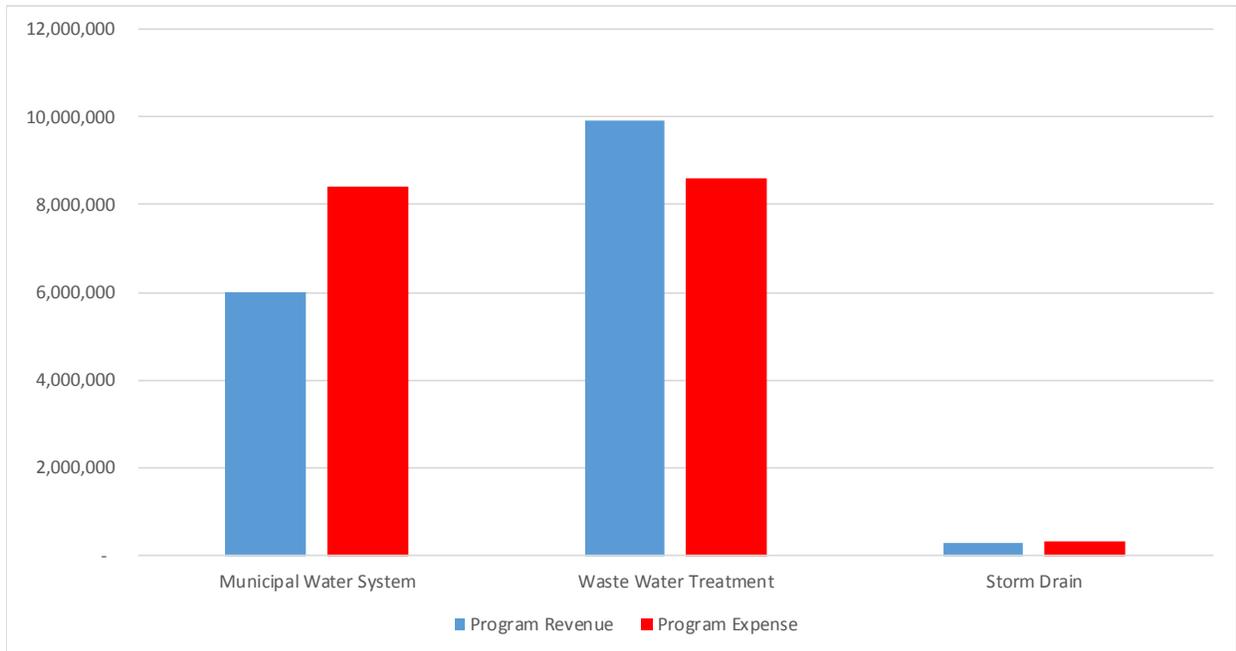
Governmental activities increased the City's total net position by \$4.2 million. This increase was driven by the following factors:

- Revenues from government activities totaled \$33.4 million, an increase of \$1.4 million from the prior year. This increase was primarily driven by increase in tax revenue including property tax (\$595,000), TOT (\$743,000), Sales Tax (\$95,000). Due to corrections to classifications of some revenue categories

in the financial statements, charges for services revenue declined \$1.8 million but that amount was offset by an increase of \$1.0 million in miscellaneous revenues.

- Due to budgetary savings and controls in the general fund, governmental activities revenues exceeded expenses by \$4.2 million which resulted in additional increase to net position.
- The total cost of governmental activities in fiscal year 2016 was \$29.3 million. Of this amount, \$6.6 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 2015-2016



Business-type Activities decreased the City’s total net position by (\$918,186) to \$22.4 million during fiscal year 2015-2016. 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 primarily due to declining water sales related to conservation efforts by customers. At the same time operational costs of the system increased primarily resulting from significant increases in costs of water purchased from the San Francisco Public Utilities Commission (SFPUC).
- Operating revenues in the Municipal Wastewater Fund increased primarily due to the implementation of a Sewer System Overflow (SSO) charge to fund environmental improvements to keep the bay clean. While operating expenses remained flat, 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 keep the bay clean.

- 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.

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 2015-2016 the City's Governmental Funds reported a combined ending Fund Balance (including restricted funds and funds set aside for emergencies or economic downturn) of \$48.3 million. This represents an increase of \$5.4 million (12.6%) over the prior year ending balance of \$42.9 million.

The General Fund is the chief operating fund of the City. The total General Fund reserve balance including amounts set aside for emergencies and economic downturn is \$22.1 Million. As a measure of liquidity, both unassigned and assigned fund balance can be compared to total fund expenditures. Unassigned fund balance totals \$20.5 million or 91% of total general fund expenditures. Of this amount, \$7 Million was allocated in the 2016 – 2017 budget primarily to fund a capital improvement program to replace aging infrastructure.

The Fund Balance in the General Fund increased by \$4.6 million. General Fund revenues exceeded expenditures (excluding transfers) by \$5.7 million. Transfers from the general fund totaling \$1.3 million were related to debt service payments, capital program costs, operating deficits 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. This fund had an ending fund balance of \$12.4 million, increasing by \$17,533 during the current fiscal year, primarily resulting from investment (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 \$13.8 million, an increase of \$758,333 over the prior year ending balance.

The following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance for fiscal year 2015-2016 compared to the previous fiscal year. Primary drivers for increases in expenses were increased public safety contract costs and increased costs for salaries and retirement benefits.

**GENERAL FUND
REVENUE AND EXPENDITURE COMPARISON
June 30, 2016**

	General Fund		Dollar Variance	Percentage Variance
	2016	2015		
REVENUES				
Property Taxes	10,798,190	10,225,409	572,781	6%
Sales Tax	2,804,094	2,709,549	94,545	3%
Transient Occupancy Tax	8,210,016	7,467,020	742,996	10%
Franchise Fees	1,113,294	1,029,029	84,265	8%
Other Taxes	698,144	291,905	406,239	139%
Licenses and Permits	626,475	819,994	(193,519)	-24%
Charges for Services	1,327,947	1,617,264	(289,317)	-18%
Fines and Forfeitures	1,584,307	446,731	1,137,576	255%
Use of Money and Property	719,189	985,255	(266,066)	-27%
Grants and Intergovernmental	170,856	368,870	(198,014)	-54%
Miscellaneous	161,935	331,841	(169,906)	-51%
Total Revenues	28,214,447	26,292,867	1,921,580	7%
EXPENDITURES				
General Government	4,893,407	3,079,194	1,814,213	59%
Public Safety	12,188,872	11,064,044	1,124,828	10%
Public Works	1,227,036	1,019,109	207,927	20%
Culture and Recreation	1,290,755	4,536	1,286,219	28356%
Community Development	2,029,613	2,446,410	(416,797)	-17%
Capital Outlay	883,886	588,169	295,717	50%
Total Expenditures	22,513,569	18,201,462	4,312,107	24%
OTHER FINANCING SOURCES (USES)				
Transfers In	255,587	573,709	(318,122)	
Transfers Out	(1,331,422)	(6,148,237)	(4,816,815)	
Total Other Financing Sources (Uses)	(1,075,835)	(5,574,528)	(5,134,937)	
NET CHANGE IN FUND BALANC	4,625,043	2,516,877		
BEGINNING FUND BALANCE	17,492,822	14,975,945		
ENDING FUND BALANCE	22,117,865	17,492,822		

Comparative Analysis of Changes in Governmental Fund Balances

The following table presents a summary of actual revenues and other financing sources, expenditures, and the results of operations for the current 2015 - 2016 fiscal year compared to the prior fiscal year.

Governmental Funds

COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

June 30, 2016

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change In Net Fund Balances		Ending Fund Balances	
	2016	2015	2016	2015	2016	2015	2016	2015
	General Fund	28,470,034	26,866,576	23,844,991	24,349,699	4,625,043	2,516,877	22,117,865
Low and Moderate Income Housin	19,544	18,166	2,011	51,926	17,533	(33,760)	12,431,464	12,413,931
Other Governmental Funds	6,308,728	6,946,583	5,550,395	6,562,164	758,333	384,419	13,772,513	13,014,180
TOTAL	34,798,306	33,831,325	29,397,397	30,963,789	5,400,909	2,867,536	48,321,842	42,920,933

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 was \$22.4 million.

The following table shows actual revenues, expenses and results of operations (change in net position) for the fiscal year 2015-2016. Primary reasons for the changes in net position are discussed in the previous section under Analysis of the Change in Net Position.

PROPRIETARY FUNDS

June 30, 2016

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non- Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Position
Municipal Water System	6,002,669	7,957,869	(1,955,200)	(267,291)	28,818	(2,193,673)
Wastewater Fund	9,905,856	6,945,543	2,960,313	(1,333,426)	(93,842)	1,533,045
Non-major Storm Drain	253,216	252,196	1,020	(29,528)	(8,970)	(37,478)
TOTAL	16,161,741	15,155,608	1,006,133	(1,630,245)	(73,994)	(698,106)

The net position of the Internal Service Funds decreased approximately \$700,000. This decrease was primarily related to actuarial entries for long term pension liabilities and worker's compensation.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund actual revenues exceeded budget projections by \$2.3 million. Expenditures were below budget by \$5.7 million. There were two primary drivers of expenses below budget:

- Deferred spending on capital projects
- A budgeted payment of \$2.3 million to the Successor Agency related to an Asset Transfer Review by the State Controller’s Office was reduced to \$560,000. After consultation with the State Department of Finance, it was confirmed that proper documentation and process had been followed for \$1.7 million of the State Controller directed asset transfers. Accordingly, the Department of Finance determined that \$1.7 Million of asset transfers were valid transactions and did not need to be returned to the Successor Agency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

June 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	14,298,260	14,298,260	1,500,500	1,601,270	15,798,760	15,899,530
Construction in Progress	747,467	0	696,610	1,346,786	1,444,077	1,346,786
Buildings and Improvements	14,816,944	14,974,698	35,998,817	34,726,322	50,815,761	49,701,020
Furniture, Fixtures and Equipment	1,678,484	1,893,825	3,229,003	4,267,021	4,907,487	6,160,846
Automobiles and Trucks	993,621	812,198	491	2,842	994,112	815,040
Infrastructure	23,009,803	23,987,060	8,593,430	9,090,871	31,603,233	33,077,931
TOTAL	55,544,579	55,966,041	50,018,851	51,035,112	105,563,430	107,001,153

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2016, decreased by \$1.4M (1.3%) to \$105.6 million (net of accumulated depreciation), due primarily to 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 the Notes to the Financial Statements.

Debt Administration

As of June 30, 2016, the City had total long-term debt outstanding of \$60.7 million. This includes \$25.3 million related to Governmental Activities and \$35.4 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, 2016 in comparison to the prior year.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
2004 Pension Obligation Bonds	13,991,203	14,950,473			13,991,203	14,950,473
2011 Police Remodel Lease Revenue Financing (Direct Lender Tax Exempt Lease)	1,743,000	1,923,000			1,743,000	1,923,000
2013 General Obligation Refunding Bonds Premium, net of amortization	9,190,000 396,512	9,375,000 416,255			9,190,000 396,512	9,375,000 416,255
2009 State Water Resources Board Water Pollution Control Plant			23,319,946	24,657,832	23,319,946	24,657,832
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			6,390,000 96,612	6,555,000 100,738	6,390,000 96,612	6,555,000 100,738
TOTAL	<u>25,320,715</u>	<u>26,664,728</u>	<u>35,366,558</u>	<u>36,873,570</u>	<u>60,687,273</u>	<u>63,538,298</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 robust real estate market. The City's unemployment rate (2.6%) is lower than that of San Mateo County (3.0%) and much less than the State of California (5.5%). 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 pensions costs. The City is also actively working to fund long term liabilities including infrastructure and facility needs and unfunded post-employment benefit liabilities (retirement benefits and medical costs for retirees).

For 2016 – 2017, the City is in the first year of a two year budget cycle. In order to fund a robust 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. We hope the proceeding information has provided a general overview of the City's overall financial status.

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

**BASIC
FINANCIAL STATEMENTS**

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Millbrae
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 44,992,491	\$ 12,519,574	\$ 57,512,065
Cash with fiscal agent	382	1,292,454	1,292,836
Receivables:			
Taxes	1,432,287	-	1,432,287
Accounts - net	682,549	4,127,063	4,809,612
Accrued interest	113,952	18,276	132,228
Due from other governmental agencies	820,228	-	820,228
Internal balances	144,279	(144,279)	-
Prepaid items	1,183,977	-	1,183,977
Total current assets	49,370,145	17,813,088	67,183,233
Noncurrent assets:			
Land held for resale	587,223	-	587,223
Loans and notes receivable	11,669,826	-	11,669,826
Capital assets:			
Non-depreciable	15,045,727	2,197,110	17,242,837
Depreciable, net	40,498,852	47,821,741	88,320,593
Total capital asset	55,544,579	50,018,851	105,563,430
Total noncurrent assets	67,801,628	50,018,851	117,820,479
Total assets	117,171,773	67,831,939	185,003,712
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	1,424,324	640,094	2,064,418
Deferred outflows of resources - pension	213,696	313,010	526,706
Total deferred outflows of resources	1,638,020	953,104	2,591,124
LIABILITIES			
Current liabilities:			
Accounts payable	2,202,485	1,329,767	3,532,252
Interest payable	189,770	197,066	386,836
Deposits payable	285,326	550,445	835,771
Unearned revenue	317,007	-	317,007
Compensated absences - due within one year	39,869	57,221	97,090
Accrued self-insurance - due within one year	405,000	-	405,000
Long-term debt - due within one year	1,417,000	1,526,265	2,943,265
Total current liabilities	4,856,457	3,660,764	8,517,221
Noncurrent liabilities:			
Compensated absences - due in more than one year	358,827	514,989	873,816
Accrued self-insurance - due in more than one year	2,068,000	-	2,068,000
Net OPEB obligation	4,299,020	-	4,299,020
Net pension liability	26,559,148	7,697,180	34,256,328
Long-term debt - due in more than one year	23,903,715	33,840,293	57,744,008
Total noncurrent liabilities	57,188,710	42,052,462	99,241,172
Total liabilities	62,045,167	45,713,226	107,758,393
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	4,678,549	679,451	5,358,000
Total deferred inflows of resources	4,678,549	679,451	5,358,000
NET POSITION			
Net investment in capital assets	45,958,067	15,944,747	61,902,814
Restricted for:			
Debt service	1,055,843	-	1,055,843
Gas tax	1,510,848	-	1,510,848
Developer fee (Millbrae station area development projects)	3,258,644	-	3,258,644
Housing activities	12,431,464	-	12,431,464
Other special programs	5,278,470	-	5,278,470
Measure A	2,685,696	-	2,685,696
Total restricted	26,220,965	-	26,220,965
Unrestricted	(20,092,955)	6,447,619	(13,645,336)
Total net position	\$ 52,086,077	\$ 22,392,366	\$ 74,478,443

See accompanying Notes to Basic Financial Statements.

City of Millbrae
Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 5,572,348	\$ 762,348	\$ 711	\$ -
Public safety	12,995,918	1,904,093	167,428	-
Public works	3,045,390	451,493	665,287	-
Culture and recreation	3,055,355	906,063	14,040	-
Community Development	3,243,300	1,700,989	62,465	-
Interest on long-term debt	1,386,334	-	-	-
Total governmental activities	29,298,645	5,724,986	909,931	-
Business-type activities:				
Municipal water system	8,394,183	6,002,669	7,176	-
Municipal waste water treatment facility	8,606,845	9,905,856	-	-
Storm drain	338,733	253,216	19,433	-
Total business-type activities	17,339,761	16,161,741	26,609	-
Total primary government	\$ 46,638,406	\$ 21,886,727	\$ 936,540	\$ -

General Revenues:

Taxes:

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

Total taxes

Investment earnings

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as restated

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Total	Governmental Activities	Business-Type Activities	Total
\$ 763,059	\$ (4,809,289)	\$ -	\$ -
2,071,521	(10,924,397)	-	-
1,116,780	(1,928,610)	-	-
920,103	(2,135,252)	-	-
1,763,454	(1,479,846)	-	-
-	(1,386,334)	-	-
6,634,917	(22,663,728)	-	-
6,009,845	-	(2,384,338)	(2,384,338)
9,905,856	-	1,299,011	1,299,011
272,649	-	(66,084)	(66,084)
16,188,350	-	(1,151,411)	(1,151,411)
<u>\$ 22,823,267</u>	<u>(22,663,728)</u>	<u>(1,151,411)</u>	<u>(23,815,139)</u>
	11,434,498	-	11,434,498
	2,804,094	-	2,804,094
	8,210,016	-	8,210,016
	1,113,294	-	1,113,294
	1,221,422	-	1,221,422
	1,393,608	-	1,393,608
	26,176,932	-	26,176,932
	654,861	307,219	962,080
	73,994	(73,994)	-
	26,905,787	233,225	27,139,012
	4,242,059	(918,186)	3,323,873
	47,844,018	23,310,552	71,154,570
	<u>\$ 52,086,077</u>	<u>\$ 22,392,366</u>	<u>\$ 74,478,443</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 Capital Projects 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, 2016

	Major Funds			
	General	Low and Moderate Income Housing Asset Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 20,026,586	\$ 171,302	\$ 14,136,642	\$ 34,334,530
Cash with fiscal agent	-	-	382	382
Receivables:				
Taxes	1,346,939	-	85,348	1,432,287
Accounts - net	468,863	2,969	210,717	682,549
Accrued interest	98,888	144	11,906	110,938
Due from other governmental agencies	810,928	-	9,300	820,228
Loans	-	11,669,826	-	11,669,826
Due from other funds	42,337	-	-	42,337
Prepaid items	1,183,977	-	-	1,183,977
Land held for resale	-	587,223	-	587,223
Total assets	\$ 23,978,518	\$ 12,431,464	\$ 14,454,295	\$ 50,864,277
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued payroll	\$ 1,540,816	\$ -	\$ 372,862	\$ 1,913,678
Deposits	87,185	-	198,141	285,326
Unearned revenue	206,228	-	110,779	317,007
Total liabilities	1,834,229	-	681,782	2,516,011
Deferred inflows of resources:				
Unavailable revenues	26,424	-	-	26,424
Fund Balances:				
Nonspendable	1,183,977	-	-	1,183,977
Restricted	-	12,431,464	13,789,501	26,220,965
Assigned	431,927	-	-	431,927
Unassigned	20,501,961	-	(16,988)	20,484,973
Total fund balances	22,117,865	12,431,464	13,772,513	48,321,842
Total liabilities and fund balances	\$ 23,978,518	\$ 12,431,464	\$ 14,454,295	\$ 50,864,277

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, 2016

Total Fund Balances - Total Governmental Funds	\$ 48,321,842
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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)	15,045,727
---	------------

Depreciable, net of accumulated depreciation (and net of internal service fund capital assets of \$1,146,529)	39,352,323
---	------------

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.	(189,770)
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Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	26,424
--	--------

Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds	(4,299,020)
--	-------------

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	1,393,324
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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.	(4,447,110)
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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	(1,417,000)
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 Long-term liabilities - due in more than one year:

Net pension liability	(26,186,355)
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Long-term debt	(23,903,715)
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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.	<u>8,389,407</u>
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Net Position of Governmental Activities	<u><u>\$ 52,086,077</u></u>
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See accompanying Notes to Basic Financial Statements.

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City of Millbrae
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2016

	Major Funds			Total Governmental Funds
	General Fund	Low and Moderate Income Housing Asset Capital Projects Fund	Non-Major Governmental Funds	
REVENUES:				
Property tax	\$ 10,798,190	\$ -	\$ 636,308	\$ 11,434,498
Sales tax	2,804,094	-	-	2,804,094
Transient occupancy tax	8,210,016	-	-	8,210,016
Franchise fees	1,113,294	-	-	1,113,294
Other taxes	698,144	-	1,045,771	1,743,915
Licenses and permits	626,475	-	42,914	669,389
Charges for services	1,327,947	-	1,560,808	2,888,755
Fines and forfeitures	1,584,307	-	-	1,584,307
Use of money and property	719,189	19,544	472,166	1,210,899
Grants and intergovernmental	170,856	-	202,553	373,409
Miscellaneous	161,935	-	1,230,373	1,392,308
Total revenues	28,214,447	19,544	5,190,893	33,424,884
EXPENDITURES:				
Current:				
General government	4,893,407	-	14,260	4,907,667
Public safety	12,188,872	-	185,102	12,373,974
Public works	1,227,036	-	825,330	2,052,366
Culture and recreation	1,290,755	-	1,651,230	2,941,985
Community development	2,029,613	2,011	675,927	2,707,551
Capital outlay	883,886	-	305,026	1,188,912
Debt service:				
Principal	-	-	1,360,000	1,360,000
Interest, and fiscal charges	-	-	490,680	490,680
Total expenditures	22,513,569	2,011	5,507,555	28,023,135
REVENUES OVER (UNDER) EXPENDITURES	5,700,878	17,533	(316,662)	5,401,749
OTHER FINANCING SOURCES (USES):				
Transfers in	255,587	-	1,117,835	1,373,422
Transfers out	(1,331,422)	-	(42,840)	(1,374,262)
Total other financing sources (uses)	(1,075,835)	-	1,074,995	(840)
Net change in fund balances	4,625,043	17,533	758,333	5,400,909
FUND BALANCES:				
Beginning of year	17,492,822	12,413,931	13,014,180	42,920,933
End of year	\$ 22,117,865	\$ 12,431,464	\$ 13,772,513	\$ 48,321,842

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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 5,400,909
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.	1,262,372
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.	(1,505,725)
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.	(326,212)
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.	1,393,324
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(1,799,628)
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	(203,987)
Unpaid interest added to long-term debt	(920,260)
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	1,360,000
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.	4,863
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.	(469,764)
Change in Net Position of Governmental Activities	\$ 4,242,059

See accompanying Notes to Basic Financial Statements.

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, 2016

	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	\$ 4,429,733	\$ 8,089,841	\$ -	\$ 12,519,574	\$ 10,657,961
Cash with fiscal agents	-	1,292,454	-	1,292,454	-
Receivables:					
Accounts - net	1,706,564	2,416,728	3,771	4,127,063	-
Accrued interest	4,019	13,409	848	18,276	3,014
Total current assets	<u>6,140,316</u>	<u>11,812,432</u>	<u>4,619</u>	<u>17,957,367</u>	<u>10,660,975</u>
Noncurrent assets:					
Capital assets:					
Non-depreciable capital assets	436,729	1,691,612	68,769	2,197,110	-
Depreciable capital assets, net	<u>6,957,367</u>	<u>40,432,273</u>	<u>432,101</u>	<u>47,821,741</u>	<u>1,146,529</u>
Total capital assets	<u>7,394,096</u>	<u>42,123,885</u>	<u>500,870</u>	<u>50,018,851</u>	<u>1,146,529</u>
Total noncurrent assets	<u>7,394,096</u>	<u>42,123,885</u>	<u>500,870</u>	<u>50,018,851</u>	<u>1,146,529</u>
Total assets	<u>13,534,412</u>	<u>53,936,317</u>	<u>505,489</u>	<u>67,976,218</u>	<u>11,807,504</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred employer pension contributions	257,595	372,165	10,334	640,094	31,000
Pension related amounts	<u>125,966</u>	<u>181,991</u>	<u>5,053</u>	<u>313,010</u>	<u>15,160</u>
Total deferred outflows of resources	<u>383,561</u>	<u>554,156</u>	<u>15,387</u>	<u>953,104</u>	<u>46,160</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued payroll	\$ 752,463	\$ 566,758	\$ 10,546	\$ 1,329,767	\$ 288,807
Interest payable	-	197,066	-	197,066	-
Deposits	531,725	18,720	-	550,445	-
Due to other funds	-	-	42,337	42,337	-
Compensated absences - due within one year	22,901	32,221	2,099	57,221	39,869
Accrued self insurance - due within one year	-	-	-	-	405,000
Long-term debt - due within one year	-	1,526,265	-	1,526,265	-
Total current liabilities	<u>1,307,089</u>	<u>2,341,030</u>	<u>54,982</u>	<u>3,703,101</u>	<u>733,676</u>
Noncurrent liabilities:					
Compensated absences - due in more than one y	206,107	289,987	18,895	514,989	358,827
Accrued self-insurance - due in more than one y	-	-	-	-	2,068,000
Net pension liability	3,097,602	4,475,314	124,264	7,697,180	372,793
Long-term debt - due in more than one year	-	33,840,293	-	33,840,293	-
Total noncurrent liabilities	<u>3,303,709</u>	<u>38,605,594</u>	<u>143,159</u>	<u>42,052,462</u>	<u>2,799,620</u>
Total liabilities	<u>4,610,798</u>	<u>40,946,624</u>	<u>198,141</u>	<u>45,755,563</u>	<u>3,533,296</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related amounts	273,434	395,048	10,969	679,451	32,903
Total deferred inflows of resources	<u>273,434</u>	<u>395,048</u>	<u>10,969</u>	<u>679,451</u>	<u>32,903</u>
NET POSITION					
Net investment in capital assets	7,394,096	8,049,781	500,870	15,944,747	1,146,529
Unrestricted	<u>1,639,645</u>	<u>5,099,020</u>	<u>(189,104)</u>	<u>6,549,561</u>	<u>7,140,936</u>
Total net position	<u>\$ 9,033,741</u>	<u>\$ 13,148,801</u>	<u>\$ 311,766</u>	<u>22,494,308</u>	<u>\$ 8,287,465</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				<u>\$ (101,942)</u>	
Net position business-type activities				<u>\$ 22,392,366</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

Net position business-type activities

\$ (101,942)

\$ 22,392,366

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, 2016

	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	\$ 5,969,298	\$ -	\$ -	\$ 5,969,298	\$ -
Sewer service fees	-	9,903,710	-	9,903,710	-
Equipment rental	-	-	-	-	300,000
Interdepartmental charges	-	-	-	-	833,290
Storm drain fees	-	-	253,216	253,216	-
Miscellaneous	33,371	2,146	-	35,517	54,420
Total operating revenues	6,002,669	9,905,856	253,216	16,161,741	1,187,710
OPERATING EXPENSES:					
Personnel services	2,797,075	3,201,555	68,399	6,067,029	361,361
Contractual services	372,752	1,449,383	101,967	1,924,102	183,966
Materials, supplies and other services	487,298	665,434	34,210	1,186,942	96,566
Water purchases	3,872,365	-	-	3,872,365	-
Depreciation	270,196	1,382,960	41,690	1,694,846	182,573
Utilities	35,519	205,323	5,930	246,772	-
Insurance premiums and claims	122,664	40,888	-	163,552	1,122,141
Total operating expenses	7,957,869	6,945,543	252,196	15,155,608	1,946,607
OPERATING INCOME	(1,955,200)	2,960,313	1,020	1,006,133	(758,897)
NONOPERATING REVENUES (EXPENSES):					
Interest revenue	73,815	217,836	15,568	307,219	15,403
Interest expense and fiscal charges	-	(838,469)	-	(838,469)	-
Gain (loss) on sale	(348,282)	(712,793)	(64,529)	(1,125,604)	(21,184)
Grants	7,176	-	19,433	26,609	-
Total nonoperating revenues (expenses)	(267,291)	(1,333,426)	(29,528)	(1,630,245)	(5,781)
INCOME (LOSS) BEFORE TRANSFERS	(2,222,491)	1,626,887	(28,508)	(624,112)	(764,678)
Transfers in	153,841	140,873	-	294,714	601,773
Transfers out	(125,023)	(234,715)	(8,970)	(368,708)	(526,939)
Total transfers	28,818	(93,842)	(8,970)	(73,994)	74,834
Change in net position	(2,193,673)	1,533,045	(37,478)	(698,106)	(689,844)
NET POSITION					
Beginning of year	11,227,414	11,615,756	349,244		8,977,309
End of year	\$ 9,033,741	\$ 13,148,801	\$ 311,766		\$ 8,287,465

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

Change in net position of business-type activities (220,080)
\$ (918,186)

See accompanying Notes to Basic Financial Statements.

City of Millbrae
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2016

	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	\$ 33,371	\$ 2,146	\$ -	\$ -	\$ 54,420
Receipts from customers/ other funds	5,579,975	9,266,642	249,445	15,096,062	1,147,769
Payments to suppliers	(4,428,588)	(2,165,619)	(118,503)	(6,712,710)	(317,492)
Payments to employees	(1,975,454)	(3,083,514)	(193,578)	(5,252,546)	(718,613)
Claims paid	(122,664)	(59,513)	-	(182,177)	(741,814)
Cash Flows from Operating Activities	(913,360)	3,960,142	(62,636)	2,984,146	(575,730)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Cash receipts from operating grants	7,176	-	19,433	26,609	-
Transfers in	153,841	140,873	-	294,714	601,773
Transfers out	(125,023)	(234,715)	(8,970)	(368,708)	(526,939)
Cash Flows from Noncapital Financing Activities	35,994	(93,842)	10,463	(47,385)	74,834
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(440,876)	(1,180,024)	(183,289)	(1,804,189)	(92,065)
Proceeds from sale of capital assets	-	-	-	-	10,070
Principal payments on capital debt	-	(1,507,012)	-	(1,507,012)	-
Interest paid	-	(847,223)	-	(847,223)	-
Cash Flows from Noncapital Financing Activities	(440,876)	(3,534,259)	(183,289)	(4,158,424)	(81,995)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Interest	69,796	204,427	14,720	288,943	12,389
Cash Flows from Noncapital Financing Activities	69,796	204,427	14,720	288,943	12,389
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,248,446)	536,468	(220,742)	(932,720)	(570,502)
CASH AND CASH EQUIVALENTS - Beginning of year	5,678,179	8,845,827	220,742	14,744,748	11,228,463
CASH AND CASH EQUIVALENTS - End of year	\$ 4,429,733	\$ 9,382,295	\$ -	\$ 13,812,028	\$ 10,657,961
FINANCIAL STATEMENT PRESENTATION:					
Cash and investments	\$ 4,429,733	\$ 8,089,841	\$ -	\$ 12,519,574	\$ 10,657,961
Cash with fiscal agents	-	1,292,454	-	1,292,454	-
Total	\$ 4,429,733	\$ 9,382,295	\$ -	\$ 13,812,028	\$ 10,657,961
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ (1,955,200)	\$ 2,960,313	\$ 1,020	\$ 1,006,133	\$ (758,897)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	270,196	1,382,960	41,690	1,694,846	182,573
Changes in assets and liabilities:					
Accounts receivable	(462,483)	(620,972)	(3,771)	(1,087,226)	14,479
Deferred outflows - pension	(229,363)	(255,934)	2,954	(482,343)	(24,182)
Accounts payable and accrued payroll	339,346	154,521	(18,733)	475,134	(36,960)
Deposits payable	73,160	(16,096)	-	57,064	-
Due to other funds	-	-	42,337	42,337	-
Compensated absences	11,607	13,053	13,971	38,631	(406,426)
Accrued self-insurance	-	(18,625)	-	(18,625)	380,327
Net pension liability	1,255,874	913,405	(94,799)	2,074,480	110,284
Deferred inflows - pension	(216,497)	(552,483)	(47,305)	(816,285)	(36,928)
Total adjustments	1,041,840	999,829	(63,656)	1,978,013	183,167
Net cash provided by operating activities	\$ (913,360)	\$ 3,960,142	\$ (62,636)	\$ 2,984,146	\$ (575,730)

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

City of Millbrae
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Successor Agency to the Redevelopment Agency Private- Trust Fund
	<u>Trust Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 590,218
Cash with fiscal agents	24
Receivables:	
Accounts receivable - net	591,493
Accrued interest	313
Property held for resale	1,324,591
Capital assets:	
Depreciable capital assets, net	<u>372,590</u>
Total assets	<u><u>\$ 2,879,229</u></u>
LIABILITIES	
Liabilities:	
Current liabilities	
Accounts payable	\$ 2,259
Interest payable	109,344
Deposits	8,560
Long-term debt	
Portion due within one year	205,000
Portion due in more than one year	<u>6,554,667</u>
Total liabilities	<u>6,879,830</u>
NET POSITION	
Held in trust for other purposes	<u>(4,000,601)</u>
Total net position	<u><u>\$ (4,000,601)</u></u>

See accompanying Notes to Basic Financial Statements.

City of Millbrae
Statement of Changes in Fiduciary Net Position
All Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2016

	Successor Agency to the Redevelopment Agency Private- Trust Fund
ADDITIONS:	
Property Tax	\$ 707,400
Use of money and property	57,134
Miscellaneous	543,160
Total additions	1,307,694
DEDUCTIONS:	
Community Development	262,746
Depreciation	15,356
Interest and fiscal charges	718,498
Total deductions	996,600
Change in net position	311,094
NET POSITION:	
Beginning of year	(4,311,695)
End of year	\$ (4,000,601)

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, 2016

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, 2016

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, 2016

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, 2016

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:

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

C. 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, 2016

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. Prepaids 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, 2016

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. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City defines capital assets as those assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years.

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

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

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

Water and 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, 2016

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. 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.

L. 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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position or 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. The government reports deferred employer pension contributions in this category in the government-wide and enterprise statements of net position. Employer pension contributions made during the period between the measurement date and the report date are deferred and reflected as a reduction in the net pension liability in the subsequent fiscal year.

In addition to liabilities, the statement of net position or 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.

The government reports two items in this category, unavailable revenue and amounts related to changes in the City's net pension liability that are deferred and amortized over a stated period. Unavailable revenue arises only under a modified accrual basis of accounting and accordingly is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: grant revenues. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available. Certain changes in the City's net pension liability are required to be deferred and reflected in pension expense over a closed amortization period. The City reported the unamortized net difference between the projected and actual earnings on pension plans as deferred inflows of resources in the government-wide and enterprise funds' statements of net position.

N. *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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

O. 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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. 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.

Q. 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.

R. New Pronouncements

In 2016, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*– This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement 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 Statements 67 and 68*- The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments 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 with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on beginning net position as part of implementation of this accounting standard.
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*– The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. New Pronouncements, Continued

principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. There was no impact on beginning net position as part of implementation of this accounting standard

- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. There was no impact on beginning net position 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, 2016:

	<u>Government-Wide Statement of Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments	\$ 44,992,491	\$ 12,519,574	\$ 590,218	\$ 58,102,283
Cash with Fiscal Agent	382	1,292,454	24	1,292,860
Total cash and investments	\$ 44,992,873	\$ 13,812,028	\$ 590,242	\$ 59,395,143

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investment, Continued

Cash and investments as of June 30, 2016 consist of the following:

Cash on hand	\$ 1,130
Deposits with financial institution	4,059,516
Total cash on hand and deposits	<u>4,060,646</u>
Local Agency Investment funds	4,123,594
San Mateo County Pool	34,938,602
Investments	14,979,441
Total investments	<u>54,041,637</u>
Total City Treasury	<u>58,102,283</u>
Cash with fiscal agent	<u>1,292,860</u>
Total cash and investments	<u>\$ 59,395,143</u>

B. Deposits

The carrying amount of the City's cash deposit was 4,059,516 at June 30, 2016. Bank balances before reconciling items were a positive amount of \$4,675,952 at June 30, 2016. 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, 2016

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, 2016

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, 2016.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

B. Authorized Investments by the Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality
Local Agency Municipal Bonds	N/A	Two highest rating category
U.S. Treasury Obligations	N/A	N/A
State of California Obligations	N/A	A2/A
California Local Agency Obligations	N/A	N/A
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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

C. Investments, Continued

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, 2016, 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.

As of June 30, 2016, the City had \$4,123,594 invested in LAIF, which had invested 2.81% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.08% in the previous year. The LAIF fair value factor of 1.000621222 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 1.00306 was used to calculate the fair value of the investments in the County Pool.

D. Risk Disclosures

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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

Investment Type	Investment Maturities (in years)			
	12 months or less	13 to 24 months	25 to 60 months	Total
Local Agency Investment Fund	\$ 4,123,594	\$ -	\$ -	\$ 4,123,594
San Mateo County Investment Fund	34,938,602	-	-	34,938,602
Negotiable or Non-Negotiable				
Certificates of Deposit	1,065,318	1,587,172	-	2,652,490
US Treasury Notes	-	-	3,770,217	3,770,217
U.S. Government Agency Obligation	-	1,221,388	5,372,702	6,594,090
Medium Term Notes	-	333,283	1,629,361	1,962,644
Total Investments	\$ 40,127,514	\$ 3,141,843	\$ 10,772,280	\$ 54,041,637

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, 2016 for each investment type:

Investment Type	AAA _m	AAA	AA+	AA-	A	A-	Total
US Treasury Notes	\$ -	\$ -	\$ 3,770,217	\$ -	\$ -	\$ -	\$ 3,770,217
U.S. Government Agency Obligation	-	571,826	6,022,264	-	-	-	6,594,090
Certificate of deposit	-	364,768	-	-	1,099,542	-	1,464,310
Medium Term Notes	-	-	-	527,776	1,332,786	102,082	1,962,644
	\$ -	\$ 936,594	\$ 9,792,483	\$ 527,776	\$ 1,332,786	\$ 102,082	\$ 13,791,261
<i>Not rated:</i>							
Local Agency Investment Fund							4,123,594
San Mateo County Investment Fund							34,938,602
Negotiable or Non-Negotiable							
Certificates of deposit							1,188,180
Total Investments							\$ 54,041,637

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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

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

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
FANNIE MAE	United States Government Agency Obligation	\$ 2,589,555
FREDDIE MAC	United States Government Agency Obligation	2,638,043
FEDERAL HOME LOAN BANKS	United States Government Agency Obligation	794,657
HSBC HOLDINGS PLC	Medium Term Notes	750,970
	Total	<u>\$ 6,773,225</u>

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, 2016 are described on the following page.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

E. Investment Valuation, continued

Investments included in restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to fair value measurement.

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
US Treasury Notes	\$ 3,770,217	\$ 3,770,217	\$ -	\$ -
US Government Agency Obligation	6,594,090		6,594,090	
Corporate bonds	1,962,644		1,962,644	
Certificates of deposit	2,652,490		2,652,490	
San Mateo County Pool	34,938,602		34,938,602	
Local Agency Investment Fund	4,123,594		4,123,594	-
Total investments subject to fair value	54,041,637	\$ 3,770,217	\$ 50,271,420	\$ -

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.

The City's fair value for its investment in the State of California Local Agency Investment Fund (LAIF) and the San Mateo County Investment Pool (SMCIP) is based on the fair market value factors provided by LAIF and SMCIP that are calculated based on the total fair market value of the pool.

LAIF includes investments categorized as Level 1 such as United States Treasury securities, Federal Agency securities, and supranational debentures that are valued based on prices quoted in active markets and investments categorized as Level 2 such as negotiable certificates of deposit and bank notes that are based on market corroborated pricing utilizing inputs such as yield curves and indices derived principally from, or corroborated by, observable market data by correlation to other means.

SMCIP includes investments in LAIF, Treasury securities, Federal Agency securities, U.S. Instrumentalities, floating rate securities, and corporate bonds. SMCIP utilizes a pricing service that applies valuation techniques utilizing observable market inputs such as yield curves and market indices derived principally from, or corroborated by, observable market data by corroborated by observable market data by correlation to other means. The City categorized its investments in LAIF and in the SMCIP based on the lowest significant input used to determine the fair market value of the total pool.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

3. INTERFUND TRANSACTIONS

A. Due To/From Other Funds

At June 30, 2016, the City had the following due to/from other funds:

Due To General Fund	Due From Non-major Enterprise Fund
Total	\$ 42,337
	<u>\$ 42,337</u>

The amount due to the General Fund from non-major enterprise storm drain fund represents reclassified temporary negative cash balances. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.

B. Transfers

At June 30, 2016, the City had the following transfers in/out which arise in the normal course of operations.

Transfers Out	Transfers In					Total
	General	Non-Major Governmental Funds	Municipal Water System	Municipal Wastewater Fund	Internal Service Funds	
General Fund	\$ -	\$ 1,047,609	\$ -	\$ -	\$ 283,813	\$ 1,331,422
Non-major Govtl Funds	-	-	-	-	42,840	42,840
Municipal Water Fund	-	-	-	-	125,023	125,023
Municipal Wastewater Fund	-	-	102,088	-	132,627	234,715
Non-Major Storm Drain Fund	-	-	-	-	8,970	8,970
Internal Service Funds	255,587	70,226	51,753	140,873	8,500	526,939
Total	<u>\$ 255,587</u>	<u>\$ 1,117,835</u>	<u>\$ 153,841</u>	<u>\$ 140,873</u>	<u>\$ 601,773</u>	<u>\$ 2,269,909</u>

Transfers from General Fund were made to: 1) the Non-Major Governmental Funds for the debt service payments, operating deficit in one fund and covering capital project cost, 2) the Internal Service Funds to begin prefunding of the City's OPEB and general liability claim expense.

4. LOANS AND NOTES RECEIVABLE

At June 30, 2016, the City's loans and notes receivable totaled \$11,669,826 and were composed of the following:

	Balance as of June 30, 2016
Low-and-Moderate First Time Home Buyer Program	\$ 457,105
Dolores Lia Apartments Loan	5,700,000
Below Market Rate Loans	
88 South Boradway	4,143,040
1388 Broadway	1,369,681
Total:	<u>\$ 11,669,826</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

4. LOANS AND NOTES RECEIVABLE, CONTINUED

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, 2016

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2016, 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	747,467	696,610	1,444,077
Total non-depreciable assets	<u>15,045,727</u>	<u>2,197,110</u>	<u>17,242,837</u>
Depreciable assets:			
Buildings and Improvements	21,566,290	41,565,955	63,132,245
Furniture, Fixtures and Equipment	5,902,249	15,010,038	20,912,287
Automobiles and Trucks	2,714,558	39,180	2,753,738
Infrastructure	57,952,774	17,231,922	75,184,696
	<u>88,135,871</u>	<u>73,847,095</u>	<u>161,982,966</u>
Less accumulated depreciation:			
Buildings and improvements	6,749,346	5,567,138	12,316,484
Furniture, Fixtures and Equipment	4,223,765	11,781,035	16,004,800
Automobiles and Trucks	1,720,937	38,689	1,759,626
Infrastructure	34,942,971	8,638,492	43,581,463
Total accumulated depreciation	<u>47,637,019</u>	<u>26,025,354</u>	<u>73,662,373</u>
Total depreciable assets	<u>40,498,852</u>	<u>47,821,741</u>	<u>88,320,593</u>
Total capital assets	<u>\$ 55,544,579</u>	<u>\$ 50,018,851</u>	<u>\$ 105,563,430</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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 June 30, 2015	Additions	Retirements	Reclassification	Balance June 30, 2016
Governmental activities					
Non-depreciable assets:					
Land	\$ 14,298,260	\$ -	\$ -	\$ -	\$ 14,298,260
Construction in progress	-	747,467	-	-	747,467
Total non-depreciable assets	<u>14,298,260</u>	<u>747,467</u>	<u>-</u>	<u>-</u>	<u>15,045,727</u>
Depreciable assets:					
Building and Improvements	21,290,193	99,907	(64,905)	241,095	21,566,290
Furniture, Fixtures and Equipment	6,242,384	109,815	(566,221)	116,271	5,902,249
Automobiles and Trucks	2,749,170	354,353	(388,965)	-	2,714,558
Infrastructure	58,269,942	281,508	(357,580)	(241,095)	57,952,774
	<u>88,551,689</u>	<u>845,583</u>	<u>(1,377,671)</u>	<u>116,271</u>	<u>88,135,871</u>
Less accumulated depreciation:					
Building and Improvements	6,315,495	458,570	(24,719)	-	6,749,346
Furniture, Fixtures and Equipment	4,348,559	290,853	(510,431)	94,783	4,223,765
Automobiles and Trucks	1,936,972	150,744	(366,779)	-	1,720,937
Infrastructure	34,282,882	788,131	(128,042)	-	34,942,971
Total accumulated depreciation	<u>46,883,908</u>	<u>1,688,298</u>	<u>(1,029,971)</u>	<u>94,783</u>	<u>47,637,019</u>
Total depreciable assets, net	<u>41,667,781</u>	<u>(842,715)</u>	<u>(347,700)</u>	<u>21,488</u>	<u>40,498,852</u>
Governmental activity capital assets, net	<u>\$ 55,966,041</u>	<u>\$ (95,248)</u>	<u>\$ (347,700)</u>	<u>\$ 21,488</u>	<u>\$ 55,544,579</u>

Depreciation expense by program for capital assets for the year ended June 30, 2016 was as follows:

General Government	\$ 303,367
Public safety	150,286
Public works	735,049
Culture and Recreation	39,515
Community Development	277,508
Internal Service Funds	182,573
Total Governmental Activities	<u>\$ 1,688,298</u>

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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 June 30, 2015	Additions	Retirements	Reclassification	Balance June 30, 2016
Non-depreciable assets:					
Land	\$ 1,601,270	\$ -	\$ -	\$ (100,770)	\$ 1,500,500
Construction in progress	1,346,786	961,912	(46,004)	(1,566,084)	696,610
Total non-depreciable assets	<u>2,948,056</u>	<u>961,912</u>	<u>(46,004)</u>	<u>(1,666,854)</u>	<u>2,197,110</u>
Depreciable assets:					
Building and Improvements	39,737,789	-	(591,258)	2,419,424	41,565,955
Furniture, Fixtures and Equipment	16,641,449	38,557	(1,667,851)	(2,117)	15,010,038
Automobiles and Trucks	39,180	-	-	-	39,180
Infrastructure	16,924,796	933,235	(478,004)	(148,105)	17,231,922
Total depreciable assets	<u>73,343,214</u>	<u>971,792</u>	<u>(2,737,113)</u>	<u>2,269,202</u>	<u>73,847,095</u>
Less accumulated depreciation:					
Land Improvements					
Building and Improvements	5,011,467	806,470	(250,799)	-	5,567,138
Furniture, Fixtures and Equipment	12,374,428	645,386	(1,238,779)	-	11,781,035
Automobiles and Trucks	36,338	2,351	-	-	38,689
Infrastructure	7,833,925	240,639	(59,908)	623,836	8,638,492
Total accumulated depreciation	<u>25,256,158</u>	<u>1,694,846</u>	<u>(1,549,486)</u>	<u>623,836</u>	<u>26,025,354</u>
Total depreciable assets, net	<u>48,087,056</u>	<u>(723,054)</u>	<u>(1,187,627)</u>	<u>1,645,366</u>	<u>47,821,741</u>
Business-type activity capital assets, net	<u>\$ 51,035,112</u>	<u>\$ 238,858</u>	<u>\$ (1,233,631)</u>	<u>\$ (21,488)</u>	<u>\$ 50,018,851</u>

Depreciation expense for the year ended June 30, 2016 was as follows:

Municipal Water System	\$ 270,196
Municipal Wastewater Treatment Facility	1,382,960
Storm Drain	<u>41,690</u>
Total Business-Type Activities	<u>\$ 1,694,846</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, 2016

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

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, 2016:

	Original Issue Amount	Balance June 30, 2015	Prior Period Adjustment	Additions	Retirements	Balance June 30, 2016	Due Within One Year
2004 Pension Obligation							
Bonds Series A-2							
4.35%-6.58%, due 6/1/2034	\$ 11,521,630	\$ 14,950,473	(884,530)	\$ 920,261	\$ (995,000)	\$ 13,991,203	\$ 1,030,000
2011 Police Remodel							
Lease Revenue Financing							
4.25%, due 3/1/2024	2,555,000	1,923,000	-	-	(180,000)	1,743,000	187,000
2013 General Obligation							
Refunding Bonds							
1%-5%, due 8/1/2037	9,745,000	9,375,000			(185,000)	9,190,000	200,000
Premium, net of amortization	454,096	416,255			(19,743)	396,512	
Subtotal Bonds and Loans outstanding		26,664,728	(884,530)	920,261	(1,379,743)	25,320,715	1,417,000
Claims payable		2,092,673		610,262	(229,935)	2,473,000	405,000
Compensated absences		805,122		91,321	(497,747)	398,696	39,869
Total Long-Term Debt		\$ 29,562,523		\$ 1,621,844	\$ (2,107,425)	\$ 28,192,411	\$ 1,861,869

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, 2016

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 \$2,092,053. Principal and interest paid for the current year was \$261,728.

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 \$14,204,769. Principal and interest paid for the current year was \$583,963.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
2009 State Water Resources Board						
Water Pollution Control Plant 1%, due 4/1/2032	\$ 28,397,180	\$ 24,657,832		\$ (1,337,886)	\$ 23,319,946	\$ 1,351,265
2009A Water Resources Board						
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	6,555,000		(165,000)	6,390,000	175,000
Premium, net of amortization	123,774	100,738		(4,126)	96,612	
Subtotal Bonds and Loans Outstanding		36,873,570	-	(1,507,012)	35,366,558	1,526,265
Compensated absences		533,579	95,502	(56,871)	572,210	57,221
Total Long-Term Debt	\$ 37,407,149	\$ 37,407,149	\$ 95,502	\$ (1,563,883)	\$ 35,938,768	\$ 1,583,486

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 \$23,319,946 and \$2,031,484 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.

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. LONG-TERM DEBT, Continued

B. Business-Type Activities, Continued

2009 - Certificates of Participation, continued

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 without City Commitment

On September 1, 1997 the City sponsored the issuance of the City of Millbrae Residential Facility Revenue Bonds, Series 1997 A which were issued in the aggregate principal amount of \$30,000,000 to assist a developer in financing the cost of site acquisition, demolition and construction of a 158 unit assisted living facility and parking garage. The Bonds are payable solely out of the revenues from operating the facility and the project is pledged as security for the Bonds. The City has no legal or moral liability with respect to the payment of this debt. The outstanding principal balance at June 30, 2016 was \$19,015,000.

D. 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
2017	1,417,000	467,265	1,884,265	1,526,265	962,099	2,488,364
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
2022-2026	9,090,000	1,612,568	10,702,568	8,184,411	3,993,161	12,177,572
2027-2031	10,440,000	1,080,969	11,520,969	7,613,949	3,526,373	11,140,322
2032-2036	8,815,000	487,800	9,302,800	7,083,777	2,626,943	9,710,720
2037-2041	755,000	15,100	770,100	4,550,000	695,906	5,245,906
Subtotal	36,833,000	\$ 5,363,823	\$ 42,196,823	35,269,946	\$ 15,438,446	\$ 50,708,392
Premium	396,512			96,612		
Total	\$ 37,229,512			\$ 35,366,558		

(A) - Includes unaccreted discount totaling \$11,908,797

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. LONG-TERM DEBT, Continued

E. 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 \$970,906 as of June 30, 2016.

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities					
Compensated Leaves Payable	\$ 805,122	\$ 91,321	\$ (497,747)	\$ 398,696	\$ 39,869
Business-Type Activities					
Compensated Leaves Payable	\$ 533,579	\$ 95,502	\$ (56,871)	\$ 572,210	\$ 57,221

The amount due within one year of \$39,869 for Governmental Activities and \$57,221 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, 2016

8. FUND BALANCES

Detailed classifications of the City's fund balances as of June 30, 2016, are below:

Fund Balances Classifications	General Fund	Low and Moderate Income Housing Asset Capital Projects Fund	Other Governmental Fund	Total Government
Nonspendable:				
Prepays	\$ 1,183,977	\$ -	\$ -	\$ 1,183,977
Total Nonspendable Fund Balances	1,183,977	-	-	1,183,977
Restricted for:				
Low and Moderate Income Housing	-	12,431,464	-	12,431,464
Measure A	-	-	2,685,696	2,685,696
Gas Tax	-	-	1,510,848	1,510,848
Integrated Waste Management	-	-	572,066	572,066
Other	-	-	4,437,191	4,437,191
Sister City	-	-	13,038	13,038
Millbrae Station Area Developer Fee	-	-	3,258,644	3,258,644
Library Bonds Debt Service	-	-	934,817	934,817
1999 COPs Debt Service	-	-	121,026	121,026
Developer Fee Capital Projects	-	-	256,175	256,175
Total Restricted Fund Balances	-	12,431,464	13,789,501	26,220,965
Assigned for:				
Encumbrances	431,927	-	-	431,927
Total Assigned Fund Balances	431,927	-	-	431,927
Unassigned:				
	20,501,961	-	(16,988)	20,484,973
Total Fund Balances	\$ 22,117,865	\$ 12,431,464	\$ 13,772,513	\$ 48,321,842

9. NEGATIVE FUND BALANCE

At June 30, 2016, the Special Recreation Fund has deficit fund balances in the amount of \$16,984, which will be eliminated with future revenues.

10. ENCUMBRANCES/COMMITMENTS

Encumbrance balances by major funds and non-major funds as of June 30, 2016 are:

	Major Funds			TOTAL
	General Fund	Low and Moderate Housing Asset Capital Projects Fund	Non-Major Funds	
Construction	\$ 388,345	\$ -	\$ 163,039	\$ 551,384
Materials and Equipment	-	-	5,235	5,235
Services	43,582	-	58,994	102,576
	\$ 431,927	\$ -	\$ 227,268	\$ 659,195

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

The following funds had expenditures in excess of appropriations:

Major:	
Below Market Rate Housing Fund	\$ 2,011
Non-Major:	
Special Revenue Funds:	
Special Recreation	\$ 153,247
Millbrae Station Developer Fees	\$ 19,698
Debt Service Funds:	
2004 Pension Obligation Bonds	\$ 1,980

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, 2016

12. RETIREMENT PLANS, Continued

B. Benefits Provided, Continued

The rate plan's provisions and benefits in effect at June 30, 2016 are summarized as follows:

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	18.191%	11.992%
Required employer dollar UAL payment (annual)	423,888	1,121,727
	<u>Safety- Police & Fire</u>	<u>Miscellaneous</u>
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2%
Required employee contribution rates	12.25%	6.50%
Required employer contribution rates	N/A	6.73%

Beginning in fiscal year 2016, 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 \$423,888 and \$1,121,727 for safety and miscellaneous respectively, in fiscal year 2016.

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, 2016, the contributions recognized against net pension liability for the Plans were \$1,399,544.

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

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as \$34,256,328.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. RETIREMENT PLANS, Continued

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

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, 2015, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 and 2015 were as follows:

Proportion - June 30, 2014	0.465881%
Proportion - June 30, 2015	<u>0.499079%</u>
Change - Increase (Decrease)	<u><u>0.033198%</u></u>

For the year ended June 30, 2016, the City recognized pension expense of \$3,295,748. At June 30, 2016, 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	\$ 2,064,418	\$ -
Differences between expected and actual experience	-	717
Changes of assumptions	-	832,811
Changes in employer's proportion	526,706	1,592,401
Differences between the employer's contribution and the employer's proportionate share of contributions	-	2,513,064
Net differences between projected and actual earnings on plan investments	-	419,007
Total	<u>\$ 2,591,124</u>	<u>\$ 5,358,000</u>

\$2,064,418 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, 2016.

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 Ending June 30:	
2017	(1,942,511)
2018	(1,914,038)
2019	(1,503,283)
2020	528,538

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. RETIREMENT PLANS, Continued

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

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
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	7.65%
Mortality	(1) Derived by CalPERS membership data for all funds

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can 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.

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. RETIREMENT PLANS, Continued

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

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	19.00%	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	2.00%	-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, 2016

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	\$	53,883,389
Current Discount Rate		7.65%
Net Pension Liability	\$	34,256,328
1% Increase		8.65%
Net Pension Liability	\$	18,111,470

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, 2016 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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.

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. POST-EMPLOYMENT BENEFITS, Continued

As of June 30, 2016, approximately 31 participants were eligible to receive benefits.

Healthcare cost trend rate assumptions are as follows:

<u>Year</u>	<u>Increase from Prior Year</u>	
	<u>Non-Medicare</u>	<u>Medicare</u>
	<u>All plans</u>	
2016	7.5%	7.8%
2017	7.0%	7.2%
2018	6.5%	6.7%
2019	6.0%	6.1%
2020	5.5%	5.6%
2021	5.0%	5.0%
2022+	5.0%	5.0%

A. Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a January 1, 2015 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 23 years at June 30, 2016.

C. 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 2016, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

13. POST-EMPLOYMENT BENEFITS, Continued

B. Funding Progress and Funded Status, Continued

Annual required contribution (ARC)	\$ 1,226,000
Interest on net OPEB obligation	149,000
Adjustment to annual required contribution	<u>(370,000)</u>
Annual OPEB cost	1,005,000
Contributions made:	
Current year premiums paid	<u>801,013</u>
Change in net OPEB obligation	203,987
Net OPEB Obligation at June 30, 2015	<u>\$ 4,095,033</u>
Net OPEB Obligation at June 30, 2016	<u><u>\$ 4,299,020</u></u>

The Plan's annual required contributions and actual contributions for the years ended June 30, 2016 are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014	983,000	733,637	74.63%	3,843,062
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

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, 2016, the City paid ABAG Plan \$359,388 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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

14. RISK MANAGEMENT, Continued

D. 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 2015-2016			Fiscal 2014-2015 Totals
	Workers'	General	Total	
	Compensation Claims	Liability Claims		
Balances, beginning of year	\$ 2,001,670	\$ 91,003	\$ 2,092,673	\$ 2,663,075
Net change in:				
Liability for current fiscal year claims	631,561		\$ 631,561	8,240
Claims incurred but not reported (IBNR) and adjustments		(21,299)	\$ (21,299)	(132,335)
Claims paid	(165,231)	(64,704)	\$ (229,935)	(446,307)
Balances, end of year	<u>2,468,000</u>	<u>5,000</u>	<u>2,473,000</u>	<u>\$ 2,092,673</u>
Current portion	<u>400,000</u>	<u>5,000</u>	<u>405,000</u>	<u>\$ 523,170</u>
Noncurrent portion	<u>2,068,000</u>	<u>-</u>	<u>2,068,000</u>	<u>\$ 1,569,503</u>

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

15. JOINTLY GOVERNED ORGANIZATIONS, Continued

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 \$75,387 for the year ended June 30, 2016. 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.

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

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

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.

The City paid its surcharge of \$347,244 during fiscal year 2016, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2017 is estimated to be \$357,624.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

16. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

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 indicates public infrastructure improvements that total approximately \$35 million. The implementation schedule calls for improvements to commence in FY 2014-2015 with final implementation in 2021. The City has currently completed several requirements of the CD including cleaning and inspection of collection system main lines.

The City is meeting and conferring with Baykeeper as provided in the CD in order to settle on the appropriate alternatives to be implemented with a delayed timeline. Baykeeper has tentatively agreed to the amended CD.

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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 2015. 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.

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*

As of June 30, 2016, the property held for resale was recorded in the amount of \$1,324,591. The former Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

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

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

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

C. Capital Assets, Continued

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016
Capital assets being depreciated:				
Building and Improvements	\$ 3,608	\$ -	\$ -	\$ 3,608
Furniture, Fixtures and Equipment	41,391	-	(8,335)	33,056
Automobiles and Trucks	11,754	-	-	11,754
Infrastructure	475,320	-	(1,661)	473,659
Total capital assets being depreciated	532,073	-	(9,996)	522,077
Less accumulated depreciation for:				
Building and Improvements	1,285	74	-	1,359
Furniture, Fixtures and Equipment	17,000	1,532	-	18,532
Automobiles and Trucks	11,754	-	-	11,754
Infrastructure	104,300	13,750	(208)	117,842
Total accumulated depreciation	134,339	15,356	(208)	149,487
Net capital assets being depreciated	397,734	(15,356)	(9,788)	372,590
Capital Assets, net	397,734	(15,356)	(9,788)	372,590

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 July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Redevelopment Tax						
2005 Tax Allocation Bond	\$ 8,590,000	\$ 7,205,000	\$ -	\$ (7,205,000)	\$ -	\$ -
2015 Tax Allocation Bond	6,505,000	-	6,505,000	-	6,505,000	205,000
Premium		-	266,900	(12,233)	254,667	-
Total long term debt	\$ 15,095,000	\$ 7,205,000	\$ 6,771,900	\$ (7,217,233)	\$ 6,759,667	\$ 205,000

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

D. Long-Term Debt, continued

2005 Redevelopment Agency Tax Allocation Bonds

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

The 2005 Tax Allocation Bonds were refunded during the fiscal year ended June 30, 2016 by the Successor Agency by issuance of 2015 Tax Allocation Refunding Bonds.

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.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

D. Long-Term Debt, continued

Debt Service Requirements

Debt service requirements are as follows:

Year ending	Principal	Interest	Total
June 30:			
2017	205,000	260,375	\$ 465,375
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
2022-2026	1,445,000	918,000	2,363,000
2027-2031	1,790,000	585,162	2,375,162
2032-2036	2,125,000	219,500	2,344,500
Total	<u>\$ 6,505,000</u>	<u>\$ 2,941,887</u>	<u>\$ 9,446,887</u>

I. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semiannually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the Oversight Board as well as the State Department of Finance.

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

State Asset Transfer Review

The activities of the former Redevelopment Agency and the Successor Agency are subject to further examination by the State of California and the amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time. In addition, the State Controller's Office will be conducting a review of the propriety of asset transfers between the former Redevelopment Agency or the Successor Agency and any public agency that occurred on or after January 1, 2011 and the amount, if any, of assets that may be required to be returned to the Successor Agency cannot be determined at this time. The asset from the Review required to be returned was for \$0.54 million. The City budgeted funds for this repayment from the General Fund. The payment was recorded during the FY 2016, and reported as a source of funding under the FY 2017 ROPs, which was subsequently approved by the Oversight Board.

City of Millbrae
Notes to Basic Financial Statements
For the year ended June 30, 2016

18. PRIOR PERIOD ADJUSTMENTS

The City recorded the following prior period adjustment to correct bond accretion on the 2004 pension obligation bonds.

Government-wide Statements

	Net Position, as Previously Reported	<u>Prior Period Adjustment Long-term obligation</u>	Net Position, as Restated
Government-Wide Statements			
Governmental Activities	\$ 46,959,488	\$ 884,530	\$ 47,844,018

19. SUBSEQUENT EVENTS

In July 2016, the City’s Community Recreation 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 ABAG Plan on coverage. In the meantime, the City received a \$2.595 million advance as part of the coverage. Those funds have been deposited into a Community Center Capital Improvement Fund until a final resolution is reached and the City and the community finalize a plan for the financing of a replacement Center.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Millbrae
Required Supplementary Information
For the year ended June 30, 2016**

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, 2016

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property tax	\$ 9,629,455	\$ 9,629,455	\$ 10,798,190	\$ 1,168,735
Sales tax	2,324,000	2,324,000	2,804,094	480,094
Transient occupancy tax	7,640,000	7,640,000	8,210,016	570,016
Franchise Tax	1,030,000	1,030,000	1,113,294	83,294
Other taxes	576,000	576,000	698,144	122,144
Licenses and permits	948,534	948,534	626,475	(322,059)
Charges for services	1,378,335	1,378,335	1,327,947	(50,388)
Fines and forfeitures	1,034,500	1,034,500	1,584,307	549,807
Use of money and property	403,102	403,102	719,189	316,087
Grants and intergovernmental	158,600	158,600	170,856	12,256
Miscellaneous	756,733	757,067	161,935	(595,132)
Total revenues	25,879,259	25,879,593	28,214,447	2,334,854
EXPENDITURES:				
Current:				
General government	4,312,116	4,312,116	4,893,407	(581,291)
Public safety	13,754,562	13,754,562	12,188,872	1,565,690
Public works	1,033,869	1,033,869	1,227,036	(193,167)
Culture and recreation	1,535,890	1,686,194	1,290,755	395,439
Community development	4,053,787	4,053,787	2,029,613	2,024,174
Capital outlay	3,172,256	3,420,971	883,886	2,537,085
Total expenditures	27,862,480	28,261,499	22,513,569	5,747,930
REVENUE OVER (UNDER) EXPENDITURES	(1,983,221)	(2,381,906)	5,700,878	8,082,784
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	255,587	(255,587)
Transfers out	(1,970,436)	(1,970,436)	(1,331,422)	(639,014)
Total other financing sources (uses)	(1,970,436)	(1,970,436)	(1,075,835)	(894,601)
Net change in fund balance	\$ (3,953,657)	\$ (4,352,342)	4,625,043	\$ 7,188,183
FUND BALANCES:				
Beginning of year			17,492,822	
End of year			\$ 22,117,865	

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2016

2. DEFINED BENEFIT PENSION PLAN

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

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

Note to Schedule:

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

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2016

2. DEFINED BENEFIT PENSION PLAN, Continued

B. SCHEDULE OF CONTRIBUTIONS - Last 10 Years*

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

Notes to Schedule:

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

City of Millbrae
Required Supplementary Information, Continued
For the year ended June 30, 2016

3. OTHER POST EMPLOYMENT BENEFITS

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

SUPPLEMENTARY INFORMATION

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.

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City of Millbrae
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	Special Revenue			
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management
ASSETS				
Cash and investments	\$ 2,639,847	\$ 1,635,815	\$ 144,911	\$ 565,817
Cash with fiscal agents	-	-	-	-
Receivables:				
Taxes	43,845	-	-	41,503
Accounts - net	-	-	33,714	-
Accrued interest	2,221	1,399	-	476
Due from other governmental agencies	-	9,300	-	-
Total assets	\$ 2,685,913	\$ 1,646,514	\$ 178,625	\$ 607,796
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	217	135,666	55,417	5,730
Deposits	-	-	29,413	30,000
Unearned revenue	-	-	110,779	-
Total liabilities	217	135,666	195,609	35,730
Fund Balances:				
Restricted	2,685,696	1,510,848	-	572,066
Unassigned	-	-	(16,984)	-
Total fund balances	2,685,696	1,510,848	(16,984)	572,066
Total liabilities and fund balances	\$ 2,685,913	\$ 1,646,514	\$ 178,625	\$ 607,796

Special Revenue				Debt Service		
Other	Sister City	Joint Fire Training	Millbrae Station Area Developer Fee - Operating	Library Bonds Debt Service Fund	1999 COPS	2004 Pension Obligation Bonds
\$ 4,388,679	\$ 13,027	\$ 33,550	\$ 3,264,718	\$ 934,061	\$ 121,123	\$ 4,098
-	-	-	-	-	-	382
-	-	-	-	-	-	-
60,000	-	-	-	-	-	-
3,786	11	16	2,746	795	102	-
-	-	-	-	-	-	-
<u>\$ 4,452,465</u>	<u>\$ 13,038</u>	<u>\$ 33,566</u>	<u>\$ 3,267,464</u>	<u>\$ 934,856</u>	<u>\$ 121,225</u>	<u>\$ 4,480</u>
15,274	-	33,570	6,192	39	199	4,480
-	-	-	2,628	-	-	-
-	-	-	-	-	-	-
<u>15,274</u>	<u>-</u>	<u>33,570</u>	<u>8,820</u>	<u>39</u>	<u>199</u>	<u>4,480</u>
4,437,191	13,038	-	3,258,644	934,817	121,026	-
-	-	(4)	-	-	-	-
<u>4,437,191</u>	<u>13,038</u>	<u>(4)</u>	<u>3,258,644</u>	<u>934,817</u>	<u>121,026</u>	<u>-</u>
<u>\$ 4,452,465</u>	<u>\$ 13,038</u>	<u>\$ 33,566</u>	<u>\$ 3,267,464</u>	<u>\$ 934,856</u>	<u>\$ 121,225</u>	<u>\$ 4,480</u>

City of Millbrae
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2016

	<u>Capital Projects</u>	Total
	Developer	Non-Major
	Fee	Governmental
	<u>Fee</u>	<u>Funds</u>
ASSETS		
Cash and investments	\$ 390,996	\$ 14,136,642
Cash with fiscal agents	-	382
Receivables:		
Taxes	-	85,348
Accounts - net	117,003	210,717
Accrued interest	354	11,906
Due from other governmental agencies	-	9,300
Total assets	<u>\$ 508,353</u>	<u>\$ 14,454,295</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	116,078	\$ 372,862
Deposits	136,100	198,141
Unearned revenue	-	110,779
Total liabilities	<u>252,178</u>	<u>681,782</u>
Fund Balances:		
Restricted	256,175	13,789,501
Unassigned	-	(16,988)
Total fund balances	<u>256,175</u>	<u>13,772,513</u>
Total liabilities and fund balances	<u>\$ 508,353</u>	<u>\$ 14,454,295</u>

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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, 2016

	Special Revenue Funds			
	Measure A	Gas Tax	Special Recreation	Integrated Waste Management
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	523,269	522,502	-	-
License and permits	-	-	-	-
Charges for services	-	-	589,558	289,981
Use of money and property	40,789	25,692	253,305	8,743
Grants and intergovernmental	-	-	-	6,228
Miscellaneous	-	-	12,429	-
Total revenues	564,058	548,194	855,292	304,952
EXPENDITURES:				
Current:				
General government	445	-	-	13,123
Public safety	-	-	-	-
Public works	64,522	472,296	-	197,937
Culture and recreation	-	-	1,303,267	-
Community development	-	-	-	-
Capital outlay	109,310	195,716	-	-
Debt service:				
Principal	-	-	-	-
Interest, and fiscal charges	-	-	-	-
Total expenditures	174,277	668,012	1,303,267	211,060
REVENUES OVER (UNDER) EXPENDITURES	389,781	(119,818)	(447,975)	93,892
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	677,114	-
Transfers out	-	(6,370)	(15,990)	(5,590)
Total other financing sources (uses)	-	(6,370)	661,124	(5,590)
Net change in fund balances	389,781	(126,188)	213,149	88,302
FUND BALANCES:				
Beginning of the year	2,295,915	1,637,036	(230,133)	483,764
End of year	\$ 2,685,696	\$ 1,510,848	\$ (16,984)	\$ 572,066

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
\$ -	\$ -	\$ -	\$ -	\$ 636,308	\$ -	\$ -
-	-	-	-	-	-	-
42,914	-	-	-	-	-	-
39,742	-	-	10,372	-	-	-
69,510	202	295	50,443	14,595	1,871	223
196,325	-	-	-	-	-	-
211,463	1,373	-	39	-	-	1,005,069
<u>559,954</u>	<u>1,575</u>	<u>295</u>	<u>60,854</u>	<u>650,903</u>	<u>1,871</u>	<u>1,005,292</u>
539	-	153	-	-	-	-
-	-	185,102	-	-	-	-
90,575	-	-	-	-	-	-
346,960	1,003	-	-	-	-	-
16,256	-	-	19,698	-	-	-
-	-	-	-	-	-	-
-	-	-	-	185,000	180,000	995,000
-	-	-	-	399,878	83,822	6,980
<u>454,330</u>	<u>1,003</u>	<u>185,255</u>	<u>19,698</u>	<u>584,878</u>	<u>263,822</u>	<u>1,001,980</u>
105,624	572	(184,960)	41,156	66,025	(261,951)	3,312
159,575	-	14,523	-	-	266,623	-
(4,400)	-	(10,490)	-	-	-	-
<u>155,175</u>	<u>-</u>	<u>4,033</u>	<u>-</u>	<u>-</u>	<u>266,623</u>	<u>-</u>
260,799	572	(180,927)	41,156	66,025	4,672	3,312
<u>4,176,392</u>	<u>12,466</u>	<u>180,923</u>	<u>3,217,488</u>	<u>868,792</u>	<u>116,354</u>	<u>(3,312)</u>
<u>\$ 4,437,191</u>	<u>\$ 13,038</u>	<u>\$ (4)</u>	<u>\$ 3,258,644</u>	<u>\$ 934,817</u>	<u>\$ 121,026</u>	<u>\$ -</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

	<u>Capital Project Fund</u>	Total
	Developer	Non-Major
	Fees	Governmental
	<u> </u>	<u> </u>
REVENUES:		
Property taxes	\$ -	\$ 636,308
Other taxes	-	1,045,771
License and permits	-	42,914
Charges for services	631,155	1,560,808
Use of money and property	6,498	472,166
Grants and intergovernmental	-	202,553
Miscellaneous	-	1,230,373
Total revenues	<u>637,653</u>	<u>5,190,893</u>
EXPENDITURES:		
Current:		
General government	-	14,260
Public safety	-	185,102
Public works	-	825,330
Culture and recreation	-	1,651,230
Community development	639,973	675,927
Capital outlay	-	305,026
Debt service:		
Principal	-	1,360,000
Interest, and fiscal charges	-	490,680
Total expenditures	<u>639,973</u>	<u>5,507,555</u>
REVENUES OVER		
(UNDER) EXPENDITURES	<u>(2,320)</u>	<u>(316,662)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	-	1,117,835
Transfers out	-	(42,840)
Total other financing sources (uses)	<u>-</u>	<u>1,074,995</u>
Net change in fund balances	(2,320)	758,333
FUND BALANCES:		
Beginning of the year	<u>258,495</u>	<u>13,014,180</u>
End of year	<u>\$ 256,175</u>	<u>\$ 13,772,513</u>

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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, 2016

	Special Revenue Funds					
	Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	488,220	523,269	35,049	484,800	522,502	37,702
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	6,000	40,789	34,789	4,000	25,692	21,692
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	494,220	564,058	69,838	488,800	548,194	59,394
EXPENDITURES:						
Current:						
General government	1,591	445	1,146	-	-	-
Public safety	-	-	-	-	-	-
Public works	80,419	64,522	15,897	421,621	472,296	(50,675)
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	103,500	109,310	(5,810)	496,613	195,716	300,897
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
Total expenditures	185,510	174,277	11,233	918,234	668,012	250,222
REVENUES OVER (UNDER) EXPENDITURES	308,710	389,781	81,071	(429,434)	(119,818)	309,616
OTHER FINANCING SOURCES (USES):						
Transfers in	(3,500)	-	(3,500)	-	-	-
Transfers out	-	-	-	(9,870)	(6,370)	3,500
Total other financing sources (uses)	(3,500)	-	(3,500)	(9,870)	(6,370)	3,500
Net change in fund balances	305,210	389,781	77,571	(439,304)	(126,188)	313,116
Beginning Fund Balances		2,295,915			1,637,036	
Ending Fund Balances (Deficits)		<u>\$ 2,685,696</u>			<u>\$ 1,510,848</u>	

Special Revenue Funds					
Special Recreation			Integrated Waste Management		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
719,380	589,558	(129,822)	220,002	289,981	69,979
259,000	253,305	(5,695)	-	8,743	8,743
-	-	-	-	6,228	6,228
-	12,429	12,429	-	-	-
<u>978,380</u>	<u>855,292</u>	<u>(123,088)</u>	<u>220,002</u>	<u>304,952</u>	<u>84,950</u>
-	-	-	13,935	13,123	812
-	-	-	-	-	-
-	-	-	232,353	197,937	34,416
1,150,020	1,303,267	(153,247)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,150,020</u>	<u>1,303,267</u>	<u>(153,247)</u>	<u>246,288</u>	<u>211,060</u>	<u>35,228</u>
<u>(171,640)</u>	<u>(447,975)</u>	<u>(276,335)</u>	<u>(26,286)</u>	<u>93,892</u>	<u>120,178</u>
94,602	677,114	582,512	-	-	-
(15,990)	(15,990)	-	(5,590)	(5,590)	-
78,612	661,124	582,512	(5,590)	(5,590)	-
<u>(93,028)</u>	213,149	<u>306,177</u>	<u>(31,876)</u>	88,302	<u>120,178</u>
	(230,133)			483,764	
	<u>\$ (16,984)</u>			<u>\$ 572,066</u>	

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

	Special Revenue Funds					
	Other			Sister City		
	Budget	Actuals	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES:						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	35,000	42,914	7,914	-	-	-
Charges for services	213,360	39,742	(173,618)	-	-	-
Use of money and property	7,500	69,510	62,010	75	202	127
Grants and intergovernmental	259,000	196,325	(62,675)	-	-	-
Miscellaneous	500	211,463	210,963	2,550	1,373	(1,177)
Total revenues	515,360	559,954	44,594	2,625	1,575	(1,050)
EXPENDITURES:						
Current:						
General government	29,575	539	29,036	-	-	-
Public safety	-	-	-	-	-	-
Public works	166,856	90,575	76,281	-	-	-
Culture and recreation	383,881	346,960	36,921	2,275	1,003	1,272
Community development	45,519	16,256	29,263	-	-	-
Capital outlay	86,818	-	86,818	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
Total expenditures	712,649	454,330	258,319	2,275	1,003	1,272
REVENUES OVER (UNDER) EXPENDITURES	(197,289)	105,624	302,913	350	572	222
OTHER FINANCING SOURCES (USES):						
Transfers in	121,012	159,575	38,563	-	-	-
Transfers out	(5,400)	(4,400)	1,000	-	-	-
Total other financing sources (uses)	115,612	155,175	39,563	-	-	-
Net change in fund balances	(81,677)	260,799	342,476	350	572	222
Beginning Fund Balances		4,176,392			12,466	
Ending Fund Balances (Deficits)		\$ 4,437,191			\$ 13,038	

Special Revenue Funds						Debt Service Funds		
Joint Fire Training			Millbrae Station Developer Fees - Operating			Library Fund		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 644,150	\$ 636,308	\$ (7,842)
-	-	-	-	-	-	-	-	-
-	-	-	744,000	-	(744,000)	-	-	-
110,779	-	(110,779)	-	10,372	10,372	-	-	-
-	295	295	-	50,443	50,443	-	14,595	14,595
-	-	-	-	-	-	-	-	-
-	-	-	-	39	39	-	-	-
<u>110,779</u>	<u>295</u>	<u>(110,484)</u>	<u>744,000</u>	<u>60,854</u>	<u>(683,146)</u>	<u>644,150</u>	<u>650,903</u>	<u>6,753</u>
549	153	396	-	-	-	-	-	-
421,968	185,102	236,866	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	19,698	(19,698)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	185,000	185,000	-
-	-	-	-	-	-	400,931	399,878	1,053
<u>422,517</u>	<u>185,255</u>	<u>237,262</u>	<u>-</u>	<u>19,698</u>	<u>(19,698)</u>	<u>585,931</u>	<u>584,878</u>	<u>1,053</u>
<u>(311,738)</u>	<u>(184,960)</u>	<u>126,778</u>	<u>744,000</u>	<u>41,156</u>	<u>(702,844)</u>	<u>58,219</u>	<u>66,025</u>	<u>7,806</u>
244,400	14,523	(229,877)	-	-	-	-	-	-
(10,490)	(10,490)	-	-	-	-	-	-	-
<u>233,910</u>	<u>4,033</u>	<u>(229,877)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(77,828)</u>	<u>(180,927)</u>	<u>(103,099)</u>	<u>744,000</u>	<u>41,156</u>	<u>(702,844)</u>	<u>58,219</u>	<u>66,025</u>	<u>7,806</u>
	180,923			3,217,488			868,792	
	<u>\$ (4)</u>			<u>\$ 3,258,644</u>			<u>\$ 934,817</u>	

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

	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	-	1,871	1,871	-	223	223
Grants and intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	1,000,000	1,005,069	5,069
Total revenues	-	1,871	1,871	1,000,000	1,005,292	5,292
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	180,000	180,000	-	995,000	995,000	-
Interest, and fiscal charges	86,623	83,822	2,801	5,000	6,980	(1,980)
Total expenditures	266,623	263,822	2,801	1,000,000	1,001,980	(1,980)
REVENUES OVER (UNDER) EXPENDITURES	(266,623)	(261,951)	4,672	-	3,312	3,312
OTHER FINANCING SOURCES (USES):						
Transfers in	266,623	266,623	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	266,623	266,623	-	-	-	-
Net change in fund balances	-	4,672	4,672	-	3,312	3,312
Beginning Fund Balances		116,354			(3,312)	
Ending Fund Balances (Deficits)		\$ 121,026			\$ -	

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City of Millbrae
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
ASSETS				
Current assets:				
Cash and investments	\$ 922,440	\$ 6,478	\$ 2,637,124	\$ 119,408
Receivables:				
Accounts - net	-	-	-	-
Accrued interest	782	5	2,194	33
Total current assets	<u>923,222</u>	<u>6,483</u>	<u>2,639,318</u>	<u>119,441</u>
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	-	-	-	-
Depreciable capital assets, net	1,133,428	-	-	13,101
Total capital assets	<u>1,133,428</u>	<u>-</u>	<u>-</u>	<u>13,101</u>
Total noncurrent assets	<u>1,133,428</u>	<u>-</u>	<u>-</u>	<u>13,101</u>
Total assets	<u>\$ 2,056,650</u>	<u>\$ 6,483</u>	<u>\$ 2,639,318</u>	<u>\$ 132,542</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred employer pension contributions	19,769	-	6,289	4,942
Deferred outflows of resources - pension	9,667	-	3,076	2,417
Total deferred outflows of resources	<u>29,436</u>	<u>-</u>	<u>9,365</u>	<u>7,359</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued payroll	\$ 296,467	\$ (706)	\$ (11,718)	\$ 4,764
Compensated absences	906	-	2,162	1,540
Accrued self insurance	-	-	400,000	5,000
Total current liabilities	<u>297,373</u>	<u>(706)</u>	<u>390,444</u>	<u>11,304</u>
Noncurrent liabilities:				
Compensated absences	8,157	-	19,462	13,864
Accrued self-insurance	-	-	2,068,000	-
Net Pension Liability	237,724	-	75,639	59,430
Total noncurrent liabilities	<u>245,881</u>	<u>-</u>	<u>2,163,101</u>	<u>73,294</u>
Total liabilities	<u>543,254</u>	<u>(706)</u>	<u>2,553,545</u>	<u>84,598</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	20,984	-	6,673	5,246
Total deferred inflows of resources	<u>20,984</u>	<u>-</u>	<u>6,673</u>	<u>5,246</u>
NET POSITION				
Net investment in capital assets	1,133,428	-	-	13,101
Unrestricted	388,420	7,189	88,465	36,956
Total net position	<u>\$ 1,521,848</u>	<u>\$ 7,189</u>	<u>\$ 88,465</u>	<u>\$ 50,057</u>



<u>Leave Accrual</u>	<u>OPEB</u>	<u>Total</u>
\$ 352,605	\$ 6,619,906	\$ 10,657,961
-	-	-
-	-	3,014
<u>352,605</u>	<u>6,619,906</u>	<u>10,660,975</u>
-	-	-
-	-	1,146,529
-	-	1,146,529
-	-	1,146,529
<u>\$ 352,605</u>	<u>\$ 6,619,906</u>	<u>\$ 11,807,504</u>
-	-	31,000
-	-	15,160
-	-	46,160
\$ -	\$ -	\$ 288,807
35,261	-	39,869
-	-	405,000
<u>35,261</u>	<u>-</u>	<u>733,676</u>
317,344	-	358,827
-	-	2,068,000
-	-	372,793
<u>317,344</u>	<u>-</u>	<u>2,799,620</u>
<u>352,605</u>	<u>-</u>	<u>3,533,296</u>
-	-	32,903
-	-	32,903
-	-	1,146,529
-	6,619,906	7,140,936
<u>\$ -</u>	<u>\$ 6,619,906</u>	<u>\$ 8,287,465</u>

City of Millbrae
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the year ended June 30, 2016

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
OPERATING REVENUES:				
Equipment rental	\$ 300,000	\$ -	\$ -	\$ -
Interdepartmental charges	-	21,072	556,668	255,550
Miscellaneous	2,269	-	625	15,526
Total operating revenues	302,269	21,072	557,293	271,076
OPERATING EXPENSES:				
Personnel services	312,571	-	27,736	21,054
Contractual services	133,456	9,760	38,529	2,221
Materials, supplies and other services	86,277	-	10,289	-
Depreciation	180,148	-	-	2,425
Insurance premiums and claims	-	66,086	707,422	348,633
Total operating expenses	712,452	75,846	783,976	374,333
OPERATING INCOME (LOSS)	(410,183)	(54,774)	(226,683)	(103,257)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	14,357	100	40,305	605
Gain/(loss) on sale	(21,184)	-	-	-
Total nonoperating revenues (expenses)	(6,827)	100	40,305	605
INCOME (LOSS) BEFORE TRANSFERS	(417,010)	(54,674)	(186,378)	(102,652)
Transfers in	21,488	-	-	80,285
Transfers out	(2,270)	-	(521,889)	(2,780)
Total transfers	19,218	-	(521,889)	77,505
Change in net position	(397,792)	(54,674)	(708,267)	(25,147)
NET POSITION				
Beginning of year	1,919,640	61,863	796,732	75,204
End of year	<u>\$ 1,521,848</u>	<u>\$ 7,189</u>	<u>\$ 88,465</u>	<u>\$ 50,057</u>

Leave Accrual	OPEB	Total
\$ -	\$ -	\$ 300,000
-	-	833,290
-	36,000	54,420
-	36,000	1,187,710
-	-	361,361
-	-	183,966
-	-	96,566
-	-	182,573
-	-	1,122,141
-	-	1,946,607
-	36,000	(758,897)
(5,526)	(34,438)	15,403
-	-	(21,184)
(5,526)	(34,438)	(5,781)
(5,526)	1,562	(764,678)
-	500,000	601,773
-	-	(526,939)
-	500,000	74,834
(5,526)	501,562	(689,844)
5,526	6,118,344	8,977,309
\$ -	\$ 6,619,906	\$ 8,287,465

City of Millbrae
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2016

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from others	\$ 2,269	\$ -	\$ 625	\$ 15,526
Cash received from other funds	314,479	21,072	556,668	255,550
Cash payments to suppliers for goods and services	(232,715)	(10,466)	(62,040)	(12,271)
Cash paid to employees	(148,073)	-	(68,140)	(55,733)
Claims paid	-	(66,086)	(241,092)	(434,636)
Net cash provided by operating activities	(64,040)	(55,480)	186,021	(231,564)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	21,488	-	-	80,285
Transfers out	(2,270)	-	(521,889)	(2,780)
Net cash provided by noncapital financing activities	19,218	-	(521,889)	77,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(76,539)	-	-	(15,526)
Proceed from sale of capital assets	10,070	-	-	-
Net cash (used in) capital and related financing activities	(66,469)	-	-	(15,526)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income received	13,575	95	38,111	572
Net cash provided by investing activities	13,575	95	38,111	572
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(97,716)	(55,385)	(297,757)	(169,013)
CASH AND CASH EQUIVALENTS - Beginning of year	1,020,156	61,863	2,934,881	288,421
CASH AND CASH EQUIVALENTS - End of year	\$ 922,440	\$ 6,478	\$ 2,637,124	\$ 119,408
FINANCIAL STATEMENT PRESENTATION:				
Cash and investments	\$ 922,440	\$ 6,478	\$ 2,637,124	\$ 119,408
Total	\$ 922,440	\$ 6,478	\$ 2,637,124	\$ 119,408
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ (410,183)	\$ (54,774)	\$ (226,683)	\$ (103,257)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	180,148	-	-	2,425
Changes in assets and liabilities:				
Accounts receivable	14,479	-	-	-
Deferred outflows - pension	(24,622)	-	194	246
Accounts payable and accrued payroll	(12,982)	(706)	(13,222)	(10,050)
Deposits payable				
Compensated absences	3,213	-	21,624	15,404
Accrued self insurance	-	-	466,330	(86,003)
Net pension liability	180,219	-	(38,525)	(31,410)
Deferred inflows - pension	5,688	-	(23,697)	(18,919)
Total adjustments	346,143	(706)	412,704	(128,307)
Net cash provided by operating activities	\$ (64,040)	\$ (55,480)	\$ 186,021	\$ (231,564)

Leave Accrual	OPEB	Total
\$ -	\$ 36,000	\$ 54,420
-	-	1,147,769
-	-	(317,492)
(446,667)	-	(718,613)
-	-	(741,814)
<u>(446,667)</u>	<u>36,000</u>	<u>(575,730)</u>
-	500,000	601,773
-	-	(526,939)
-	500,000	74,834
-	-	(92,065)
-	-	10,070
-	-	(81,995)
<u>(5,526)</u>	<u>(34,438)</u>	<u>12,389</u>
<u>(5,526)</u>	<u>(34,438)</u>	<u>12,389</u>
(452,193)	501,562	(570,502)
804,798	6,118,344	11,228,463
<u>\$ 352,605</u>	<u>\$ 6,619,906</u>	<u>\$ 10,657,961</u>
<u>\$ 352,605</u>	<u>\$ 6,619,906</u>	<u>\$ 10,657,961</u>
<u>\$ 352,605</u>	<u>\$ 6,619,906</u>	<u>\$ 10,657,961</u>
\$ -	\$ 36,000	\$ (758,897)
-	-	182,573
-	-	14,479
-	-	(24,182)
-	-	(36,960)
-	-	-
(446,667)	-	(406,426)
-	-	380,327
-	-	110,284
-	-	(36,928)
<u>(446,667)</u>	<u>-</u>	<u>183,167</u>
<u>\$ (446,667)</u>	<u>\$ 36,000</u>	<u>\$ (575,730)</u>

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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

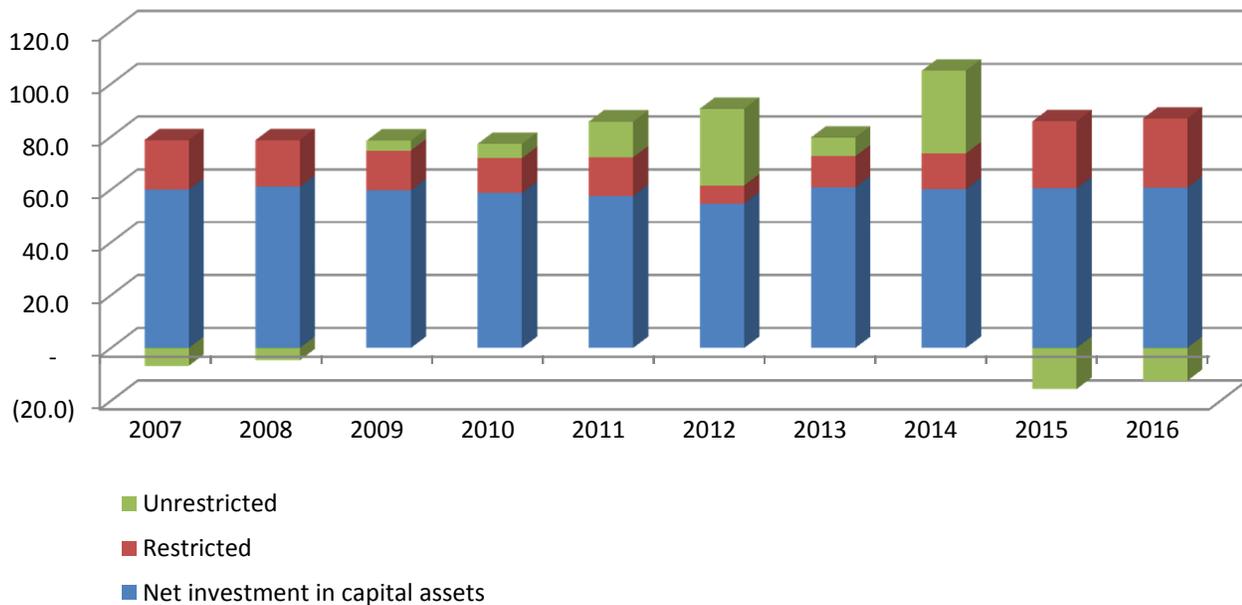
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services of the City provides and activities it performs.

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
6. Sales Tax Percentage Breakdown

Sources

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

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



	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 49.6	\$ 49.0	\$ 48.8	\$ 47.2	\$ 46.4	\$ 44.5	\$ 47.6	\$ 46.9	\$ 46.2	\$ 46.0
Restricted	18.7	17.6	15.1	13.2	14.7	6.9	11.7	13.5	25.4	26.2
Unrestricted	(10.7)	(8.7)	(4.8)	(3.7)	0.1	12.6	6.9	14.2	(24.6)	(20.1)
Total governmental activities net position	<u>57.6</u>	<u>57.9</u>	<u>59.1</u>	<u>56.7</u>	<u>61.2</u>	<u>64.0</u>	<u>66.2</u>	<u>74.6</u>	<u>47.0</u>	<u>52.1</u>
Business-type activities										
Net investment in capital assets	10.4	12.1	10.9	11.5	11.1	10.2	13.3	13.3	14.2	14.7
Unrestricted	4.0	4.1	8.5	9.1	13.4	16.4	0.2	17.1	9.1	7.7
Total business-type activities net position	<u>14.4</u>	<u>16.2</u>	<u>19.4</u>	<u>20.6</u>	<u>24.5</u>	<u>26.6</u>	<u>13.5</u>	<u>30.4</u>	<u>23.3</u>	<u>22.4</u>
Primary government										
Net investment in capital assets	60.0	61.1	59.7	58.7	57.5	54.7	60.9	60.2	60.4	60.7
Restricted	18.7	17.6	15.1	13.2	14.7	6.9	11.7	13.5	25.4	26.2
Unrestricted	(6.7)	(4.6)	3.7	5.4	13.5	29.0	7.1	31.3	(15.5)	(12.4)
Total primary government net position	<u>72.0</u>	<u>74.1</u>	<u>78.5</u>	<u>77.3</u>	<u>85.7</u>	<u>90.6</u>	<u>79.7</u>	<u>105.0</u>	<u>70.3</u>	<u>74.5</u>

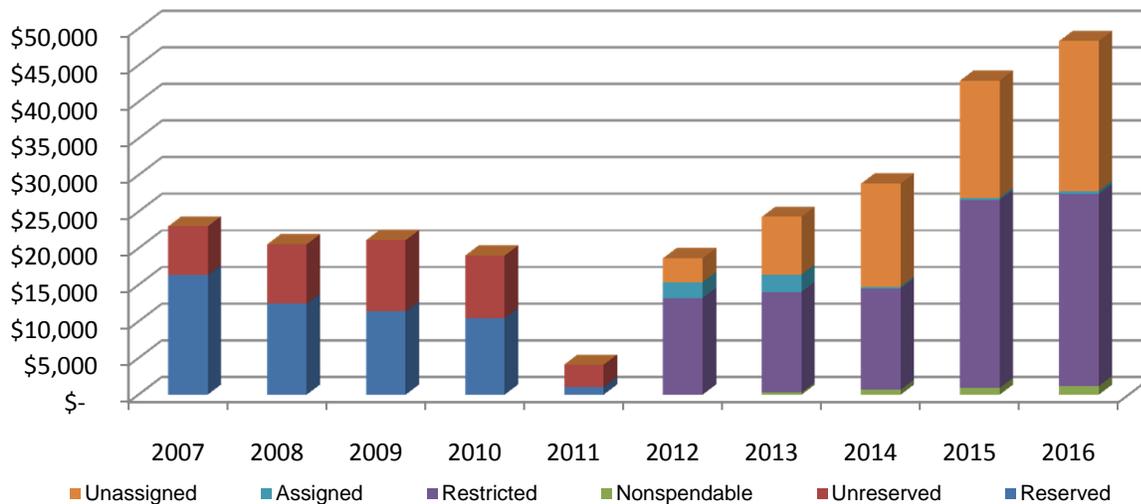
CITY OF MILLBRAE
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

Expenses	For the year ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General Government	\$ 1.9	\$ 2.1	\$ 2.1	\$ 2.2	\$ 2.3	\$ 4.1	\$ 3.3	\$ 3.2	\$ 3.4	\$ 5.6
Public Safety	6.4	10.0	11.7	12.5	11.7	12.1	10.8	10.5	11.6	13.0
Highway and Streets	5.6	4.3	4.1	3.6	2.4	1.1	2.4	2.5	3.0	3.0
Culture and Recreation	1.5	1.5	1.5	1.4	1.2	1.1	1.2	1.4	1.2	3.1
Community Development	5.3	5.1	6.9	8.6	6.3	2.9	3.6	3.6	4.4	3.2
Interest on Long-Term Debt	2.0	2.5	2.1	2.1	2.1	2.0	1.7	1.4	1.4	1.4
Total Governmental Activities Expenses	22.7	25.5	28.4	30.4	26.0	23.3	23.0	22.6	25.0	29.3
Business-Type Activities:										
Municipal Water System	3.8	4.2	4.4	4.9	5.1	5.9	6.4	6.5	6.7	8.4
Municipal Wastewater										
Treatment Facility	5.2	5.1	5.6	6.1	5.4	6.7	8.2	8.1	7.9	8.6
Storm Drain	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.4	0.3
Total Business-Type Activities Expenses	9.4	9.8	10.4	11.5	11.0	13.1	15.0	15.1	15.0	17.3
Total Primary Government Expenses	32.1	35.3	38.8	41.9	37.0	36.4	38.0	37.7	40.0	46.6
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 0.3	\$ 0.7	\$ 0.7	\$ 1.1	\$ 1.2	\$ 1.5	\$ 2.2	\$ 2.4	\$ 2.3	\$ 0.8
Public Safety	1.1	1.2	1.8	1.9	1.9	1.8	1.4	1.8	1.9	1.9
Highway and Streets	0.8	0.4	1.9	0.4	0.4	0.4	0.4	0.4	0.5	0.4
Culture and Recreation	0.8	0.7	0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.9
Community Development	2.0	1.1	3.3	2.0	3.5	1.0	1.1	1.1	2.0	1.7
Operating Grants and Contributions	1.8	1.2	1.7	1.1	1.1	0.8	0.6	0.9	1.0	0.9
Total Government Activities										
Program Revenues	6.8	5.3	10.3	7.4	9.1	6.5	6.6	7.5	8.6	6.6
Business-Type Activities:										
Charges for Services:										
Municipal Water System	4.4	4.9	5.7	5.4	5.8	6.2	6.7	7.0	6.2	6.0
Municipal Wastewater										
Treatment Facility	5.0	5.8	6.5	7.6	8.5	8.4	8.5	8.6	8.4	9.9
Storm Drain	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.3
Total Business-Type Activities										
Program Revenues	9.6	10.9	12.4	13.2	14.6	14.9	15.5	15.9	15.0	16.2
Total Primary Government										
Program Revenues	16.4	16.2	22.7	20.6	23.7	21.4	22.1	23.4	23.6	22.8
Net (Expenses)/Revenue										
Governmental Activities	\$ (15.9)	\$ (20.2)	\$ (18.1)	\$ (23.0)	\$ (16.9)	\$ (16.8)	\$ (16.4)	\$ (15.1)	\$ (16.4)	\$ (22.7)
Business-Type Activities	0.2	1.1	2.0	1.7	3.6	1.8	1.0	0.8	-	(1.1)
Total Primary Government Net Expense	(15.7)	(19.1)	(16.1)	(21.3)	(13.3)	(15.0)	(15.4)	(14.3)	(16.4)	(23.8)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Revenues and Other										
Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 10.9	\$ 11.9	\$ 13.1	\$ 13.4	\$ 13.4	\$ 10.9	\$ 9.2	\$ 10.1	\$ 10.8	\$ 11.4
Sales Taxes	2.4	2.2	2.4	2.0	2.2	2.2	2.2	2.3	2.7	2.8
Motor Vehicle in Lieu	0.1	0.1	0.1	0.1	0.1				-	-
Transient Occupancy Tax	2.9	3.3	2.8	2.9	3.7	3.9	5.0	6.1	7.5	8.2
Franchise Tax	1.4	1.5	1.4	1.6	1.6	1.7	1.5	1.9	1.0	1.1
Miscellaneous									0.4	1.4
Interest Earnings	1.2	1.0	(0.2)	0.3	0.2	0.2	0.4	0.4	0.3	0.7
Other Taxes	0.4	0.7	0.3	0.3	0.3	0.2	0.8	0.1	0.8	1.2
Transfers		(0.3)	(0.5)	0.4	(0.3)	(0.2)	(0.1)	(0.2)	0.4	0.1
Extraordinary item						0.8				
Total Government Activities	<u>19.3</u>	<u>20.4</u>	<u>19.4</u>	<u>21.0</u>	<u>21.2</u>	<u>19.7</u>	<u>19.0</u>	<u>20.7</u>	<u>23.9</u>	<u>26.9</u>
Business-Type Activities:										
Interest Earnings	0.2	0.2	0.2		0.1	0.1	0.2	0.2		0.3
Miscellaneous	0.3	0.3	0.1	0.8	(0.3)		0.1			
Transfers and Other	0.1	0.3	0.4	0.5	(0.4)	0.3	0.1	0.2	(0.4)	(0.1)
Total Business-Type Activities	<u>0.6</u>	<u>0.8</u>	<u>0.7</u>	<u>1.3</u>	<u>(0.6)</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>(0.4)</u>	<u>0.2</u>
Total Primary Government	<u>19.9</u>	<u>21.2</u>	<u>20.1</u>	<u>22.3</u>	<u>20.6</u>	<u>20.1</u>	<u>19.4</u>	<u>21.1</u>	<u>23.5</u>	<u>27.1</u>
Change in Net Position										
Governmental Activities	3.4	0.2	0.2	1.3	(2.0)	4.3	5.0	5.6	7.5	4.2
Business-Type Activities	0.8	1.9	1.8	3.3	1.1	4.0	2.6	1.2	(0.4)	(0.9)
Total Primary Government	<u>\$ 4.2</u>	<u>\$ 2.1</u>	<u>\$ 2.0</u>	<u>\$ 4.6</u>	<u>\$ (0.9)</u>	<u>\$ 8.3</u>	<u>\$ 7.6</u>	<u>\$ 6.8</u>	<u>\$ 7.1</u>	<u>\$ 3.3</u>

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



	June 30,				
	2007	2008	2009	2010	2011
General Fund					
Reserved	\$ 1,714,021	\$ 1,216,313	\$ 1,181,922	\$ 1,186,935	\$ 1,040,100
Unreserved	2,982,238	1,684,476	1,567,044	1,675,398	3,053,556
Total General Fund	<u>4,696,259</u>	<u>2,900,789</u>	<u>2,748,966</u>	<u>2,862,333</u>	<u>4,093,656</u>

All Other Governmental Funds					
Reserved	14,623,608	11,216,290	10,174,496	9,253,798	
Restricted					20,860,686
Unassigned					(1,228,417)
Unreserved, reported in:					
Special revenue funds	4,042,908	5,411,096	6,267,513	4,914,750	-
Capital project funds	(362,503)	1,010,397	1,922,889	1,971,780	
Total all other governmental funds	<u>\$ 18,304,013</u>	<u>\$ 17,637,783</u>	<u>\$ 18,364,898</u>	<u>\$ 16,140,328</u>	<u>\$ 19,632,269</u>

	June 30,				
	2012	2013	2014	2015	2016
General Fund	(b)				
Nonspendable	29,860	298,057	672,576	932,312	1,183,977
Assigned	2,171,454	2,387,817	236,452	308,378	431,927
Unassigned	3,291,888	7,874,526	14,066,917	16,252,132	20,501,961
Total General Fund	<u>5,493,202</u>	<u>10,560,400</u>	<u>14,975,945</u>	<u>17,492,822</u>	<u>22,117,865</u> (a)
All Other Governmental Funds					
Restricted	13,174,286	13,751,243	13,864,731	25,661,556	26,220,965
Unassigned	(23,248)			(233,445)	(16,988)
Total all other governmental funds	<u>\$ 13,151,038</u>	<u>\$ 13,751,243</u>	<u>\$ 13,864,731</u>	<u>\$ 25,428,111</u>	<u>\$ 26,203,977</u>

(a) - The change in total fund balance for the General Fund and other governmental funds is due to the implementation of GASB 54.

(b) - 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)

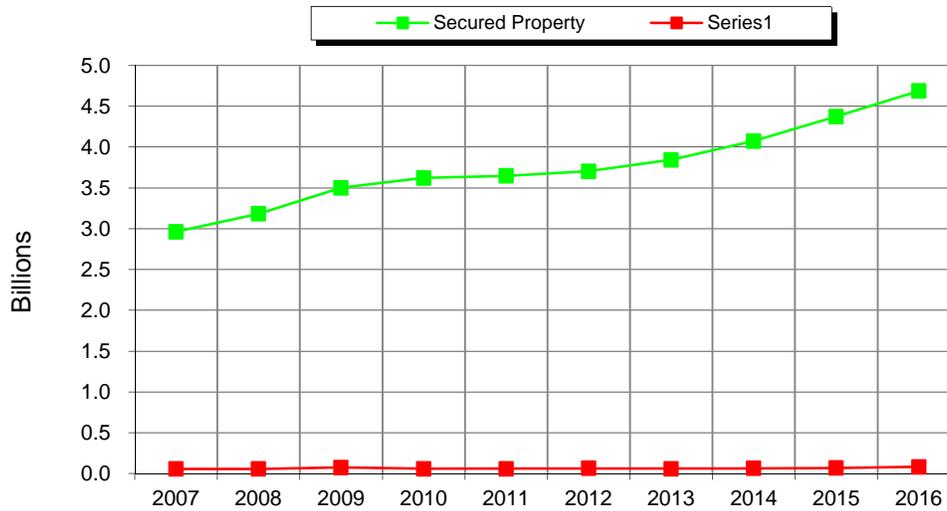
	Fiscal Year Ended June 30,			
	2007	2008	2009	2010
Revenue				
Taxes	17,815,200	19,167,621	20,081,107	19,922,116
Licenses, permits and fees	1,044,495	530,799	629,695	787,170
Charges for services	2,957,931	2,275,012	6,219,277	2,169,540
Fines and Forfeitures	700,717	592,195	854,587	1,097,610
Use of money and property	1,562,303	1,443,506	302,045	805,476
Grants and intergovernmental	1,271,907	1,295,216	1,802,482	2,300,750
Miscellaneous	406,738	792,893	239,237	672,299
Total Revenues	<u>25,759,291</u>	<u>26,097,242</u>	<u>30,128,430</u>	<u>27,754,961</u>
Expenditures				
Current:				
General government	1,731,518	1,846,271	1,801,585	1,690,298
Public safety	8,758,410	9,851,524	10,668,650	11,159,828
Highways and streets	1,803,807	2,175,594	1,995,038	2,070,733
Culture and recreation	1,306,120	1,456,488	1,442,001	1,296,878
Community development	4,373,645	5,071,248	5,207,855	9,669,345
Capital outlay	2,157,024	1,666,662	5,647,530	906,073
Debt service:				
Principal repayment	379,928	1,150,376	1,124,366	1,176,898
Interest and fiscal charges	1,238,788	1,227,636	1,194,519	1,176,578
Total Expenditures	<u>21,749,240</u>	<u>24,445,799</u>	<u>29,081,544</u>	<u>29,146,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,010,051</u>	<u>1,651,443</u>	<u>1,046,886</u>	<u>(1,391,670)</u>
Other Financing Sources (Uses)				
Transfers in	2,081,633	3,461,056	7,930,991	4,892,099
Transfers (out)	(2,215,841)	(4,011,125)	(8,403,585)	(5,229,632)
Premium on issuance of long-term debt				
Long-term debt issuance	489,046	25,000		
Payment to refunding escrow agent				
Sale of capital assets			1,000	
Total other financing sources (uses)	354,838	(525,069)	(471,594)	(337,533)
Net change in fund balances before extraordinary item	4,364,889	1,126,374	575,292	(1,729,203)
Extraordinary item	-	-	-	-
Net change in fund balances	<u>4,364,889</u>	<u>1,126,374</u>	<u>575,292</u>	<u>(1,729,203)</u>
Debt services as a percentage of noncapital expenditures	8.4%	10.4%	8.5%	8.6%

Fiscal Year Ended June 30,

2011	2012	2013	2014	2015	2016
20,876,511	18,724,073	20,487,182	20,491,692	22,869,151	25,305,817
665,289	998,214	843,018	843,018	864,939	669,389
4,205,335	2,462,577	2,540,041	2,540,041	3,842,299	2,888,755
1,313,498	1,223,209	1,261,992	1,261,992	464,115	1,584,307
724,554	781,252	1,067,420	1,067,420	1,277,810	1,210,899
1,798,705	808,281	1,975,155	1,975,155	2,173,280	373,409
834,417	665,205	422,200	422,202	584,381	1,392,308
<u>30,418,309</u>	<u>25,662,811</u>	<u>28,597,008</u>	<u>28,601,520</u>	<u>32,075,975</u>	<u>33,424,884</u>
1,796,972	2,160,416	2,659,064	2,659,058	3,079,194	4,907,667
10,712,547	11,665,202	10,759,936	10,385,421	11,339,762	12,373,974
1,620,416	1,780,137	1,589,398	1,589,400	1,771,152	2,052,366
1,105,585	1,055,993	1,134,922	1,134,919	1,122,374	2,941,985
5,862,770	4,234,460	3,292,349	3,292,345	3,897,871	2,707,551
297,200	760,286	827,351	827,351	1,034,074	1,188,912
1,295,105	1,289,000	1,213,344	1,436,000	1,304,000	1,360,000
1,158,685	1,102,398	734,181	511,310	500,834	490,680
<u>23,849,280</u>	<u>24,047,892</u>	<u>22,210,545</u>	<u>21,835,804</u>	<u>24,049,261</u>	<u>28,023,135</u>
<u>6,569,029</u>	<u>1,614,919</u>	<u>6,386,463</u>	<u>6,765,716</u>	<u>8,026,714</u>	<u>5,401,749</u>
3,049,536	1,658,279	2,110,769	2,110,769	1,755,350	1,373,422
(4,895,301)	(2,006,475)	(4,531,058)	(4,531,058)	(6,914,528)	(1,374,262)
			454,096		
	2,555,000		9,745,000		
	(2,850,000)		(10,015,490)		
	25,221				
<u>(1,845,765)</u>	<u>(617,975)</u>	<u>(2,420,289)</u>	<u>(2,236,683)</u>	<u>(5,159,178)</u>	<u>(840)</u>
4,723,264	996,944	3,966,174	4,529,033	2,867,536	5,400,909
-	(6,078,629)	-	-		
<u>4,723,264</u>	<u>(5,081,685)</u>	<u>3,966,174</u>	<u>4,529,033</u>	<u>2,867,536</u>	<u>5,400,909</u>
10.4%	10.9%	9.1%	9.2%	8.1%	6.9%

**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)
2007	2,530,573,659	261,604,654	36,210,882	78,013,790	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25359%
2008	2,733,074,818	263,281,277	36,695,559	92,843,377	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25739%
2009	2,966,830,896	305,280,936	36,957,380	117,992,283	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%
2012	3,182,354,909	380,230,791	37,670,906	38,936,275	3,639,192,881	64,777,111	3,703,969,992	3,703,969,992	0.28129%
2013	3,364,643,087	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%

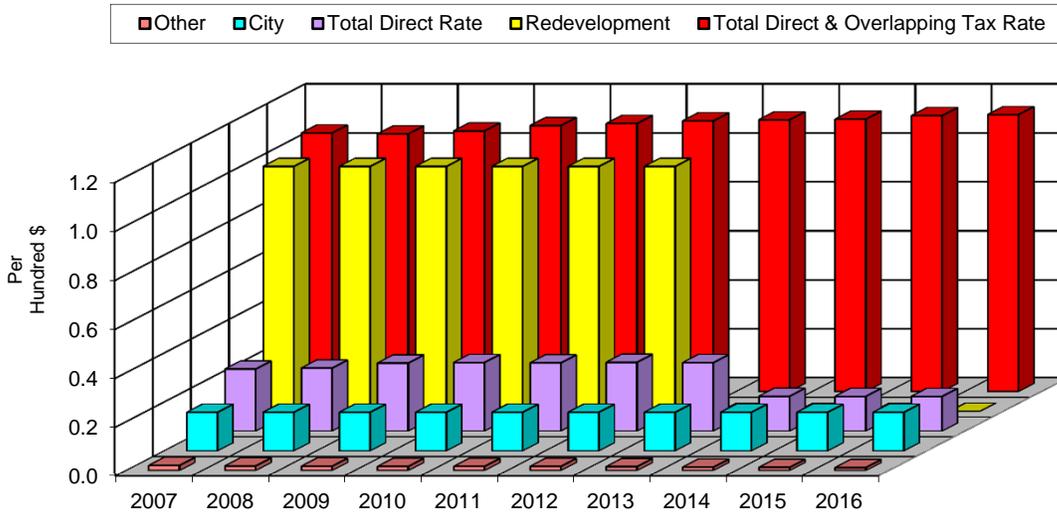
(a) The California State Constitution requires property to be assess at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

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

**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)
2007	1.0000	0.0340	0.0215	1.0555	0.1579	0.0215	1.0000	0.25359
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.25739
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.0176	1.0000	0.27861
2012	1.0000	0.0877	0.0175	1.1052	0.1579	0.0175	1.0000	0.28129
2013	1.0000	0.0930	0.0169	1.1099	0.1579	0.0169	-	0.27960
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

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

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

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

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

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

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

**CITY OF MILLBRAE
STATISTICS**

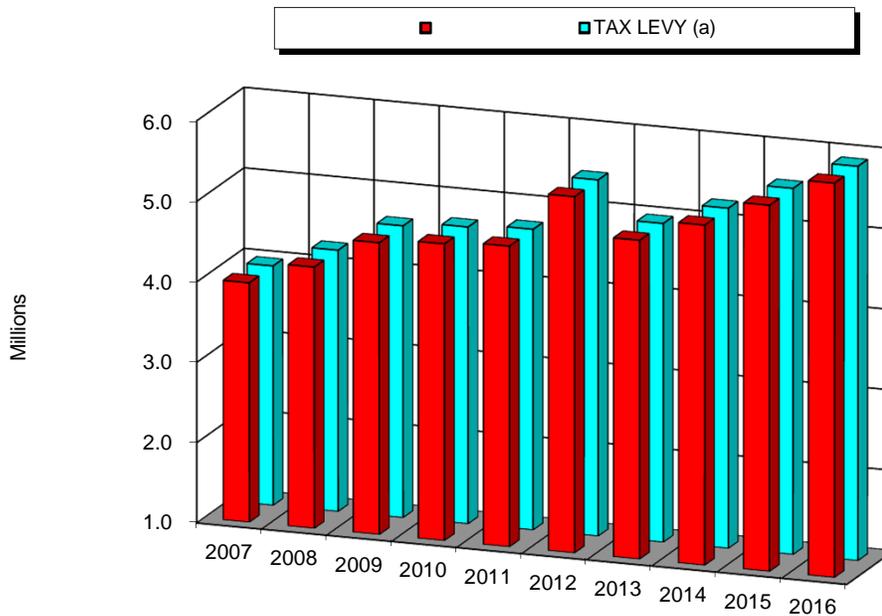
TOP TEN PROPERTY TAXPAYERS
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2006-07		Fiscal Year 2015-16	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Millbrae WCP Hotel I LLC			75,408,916	1.64%
Millbrae WCP Hotel II LLC			50,362,066	1.09%
Westin Bay Hotel Company	43,813,805	1.51%		
OR Property Holdings			36,405,724	0.79%
RAC Investment Group LLC			33,960,600	0.74%
Starwood S F Clarion Realty LLC	33,151,161	1.14%		
Glenborough Pauls Millbrae LLC	28,042,958	0.96%		
Magnolia of Millbrae, Inc.	26,104,668	0.90%	28,623,886	0.62%
Great Mountain Properties, LLC			26,519,480	0.58%
Marymount Greenhills LLC	19,709,709	0.68%	22,699,283	0.49%
OSH Acquisition Corporation			19,710,240	0.43%
RHC Associates			16,921,511	0.37%
Friend Friend and Friend			16,233,841	0.35%
Millbrae Paradise LLC	12,240,000	0.42%		
Bay Rock Mills LLC	12,076,858	0.42%		
American Store Properties Inc.	11,540,426	0.40%		
Millbrae Town Plaze LP	11,071,000	0.38%		
Real Property Storage LLC	10,714,665	0.37%		
TOTAL TOP TEN	208,465,250	7.17%	326,845,547	7.10%
Total Secured Assessed Valuation:	2,906,402,985		4,605,554,827	

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

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	TOTAL TAX LEVY (a)	TOTAL LEVY COLLECTED (C)	% of Tax Collected (c)	San Mateo County Collection Fee (b)
2007	3,980,054	3,980,054	100.0%	
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

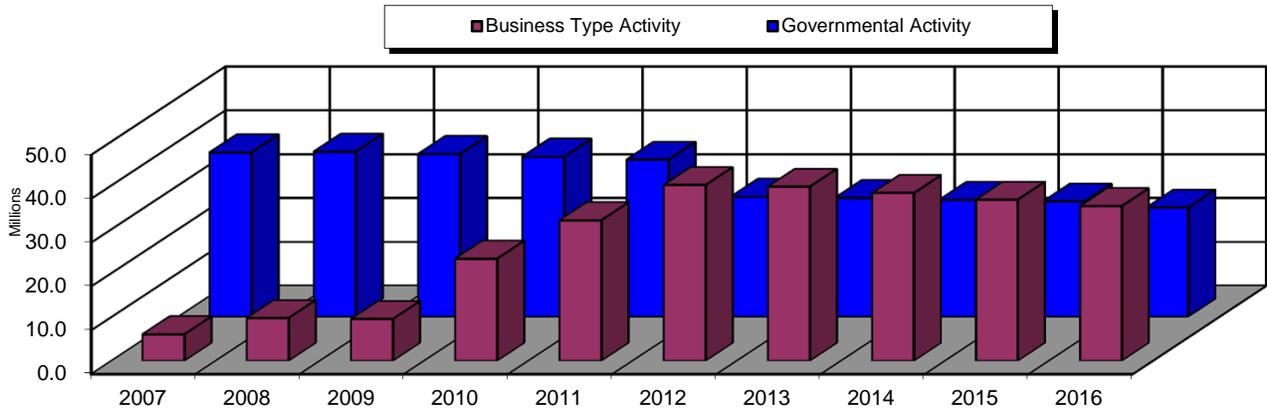
Note: During fiscal year 1995, the County began providing the City 100% of its Secured Tax levy per an agreement which allows the County to keep all interest and delinquency charges collected.

- (a) In Fiscal Year 2011-2012 Redevelopment was dissolved and Pursuant California Health and Safety Code Section 34183 Redevelopment funds were redistributed to all taxing entities
- (b) San Mateo County Property Tax Collection Fee amounts are not available before 2008
- (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
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095
2012	10,045,000	14,889,318				2,426,555	27,360,873
2013	9,915,000	14,934,475				2,263,000	27,112,475
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

Business Type Activity

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL	Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2007		6,076,171	6,076,171	43,540,111	0.10%	2,103
2008		9,793,026	9,793,026	47,446,237	0.11%	2,280
2009		9,564,218	9,564,218	46,657,580	0.10%	2,189
2010	15,931,367	7,382,051	23,313,418	59,799,947	0.14%	2,777
2011	14,325,935	17,738,215	32,064,150	67,878,245	0.18%	3,090
2012	12,690,984	27,405,675	40,096,659	67,457,532	0.17%	3,057
2013	12,430,000	27,294,385	39,724,385	66,836,860	0.17%	3,007
2014	12,275,000	25,982,472	38,257,472	64,856,862	0.16%	2,869
2015	12,115,000	24,657,832	36,772,832	63,021,305	0.16%	2,786
2016	11,950,000	23,319,946	35,269,946	60,194,149	0.14%	2,602

Note: 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)
Hdl Companies

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2007	10,475,000	0.35%	503.36
2008	10,415,000	0.33%	488.71
2009	10,345,000	0.30%	480.47
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	462.49
2012	10,045,000	0.27%	455.16
2013	9,915,000	0.25%	446.06
2014	9,545,000	0.24%	422.25
2015	9,375,000	0.21%	414.51
2016	9,190,000	0.20%	406.33

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

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2016

2015 / 2016 Assessed Valuation: 4,688,369,929

	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
OVERLAPPING TAX AND ASSESSMENT DEBT			
San Mateo Community College District	\$ 644,384,027	2.629%	\$ 16,940,856
San Mateo Union High School District	544,823,660	7.496%	40,839,982
Millbrae School District Maintenance Assessment District	56,809,527	61.103%	34,712,325
City of Millbrae - Public Library General Obligation Bonds	9,190,000	100.000%	9,190,000
California Statewide Communities Development Authority			
Glenborough/Pauls Assessment District	1,472,717	100.000%	1,472,717
Park Broadway Assessment District	\$ 1,435,300	100.000%	1,435,300
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 104,591,180
RATIOS TO 2015 - 2016 ASSESSED VALUATION			
Direct Debt (\$9,190,000)		0.20%	
Total Direct and Overlapping Tax Assessment Debt		2.23%	
DIRECT AND OVERLAPPING GENERAL FUND DEBT			
San Mateo County - General Fund Obligations	\$ 432,359,816	2.629%	\$ 11,366,740
San Mateo County Board of Education - Certificates of Participation	9,890,000	2.629%	260,008
City of Millbrae - Pension Obligations	6,490,184	100.000%	6,490,184
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 18,116,932
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	\$ 6,505,000	100.000%	\$ 6,505,000
TOTAL DIRECT DEBT			15,680,184
TOTAL OVERLAPPING DEBT			113,532,928
COMBINED TOTAL DEBT			\$ 129,213,112 (b)
RATIOS TO ADJUSTED ASSESSED VALUATION			
Combined Direct Debt (\$15,680,184)		0.33%	
Combined Total Debt		2.76%	
RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$852,855,739)			
Total Overlapping Tax Increment Debt		0.76%	

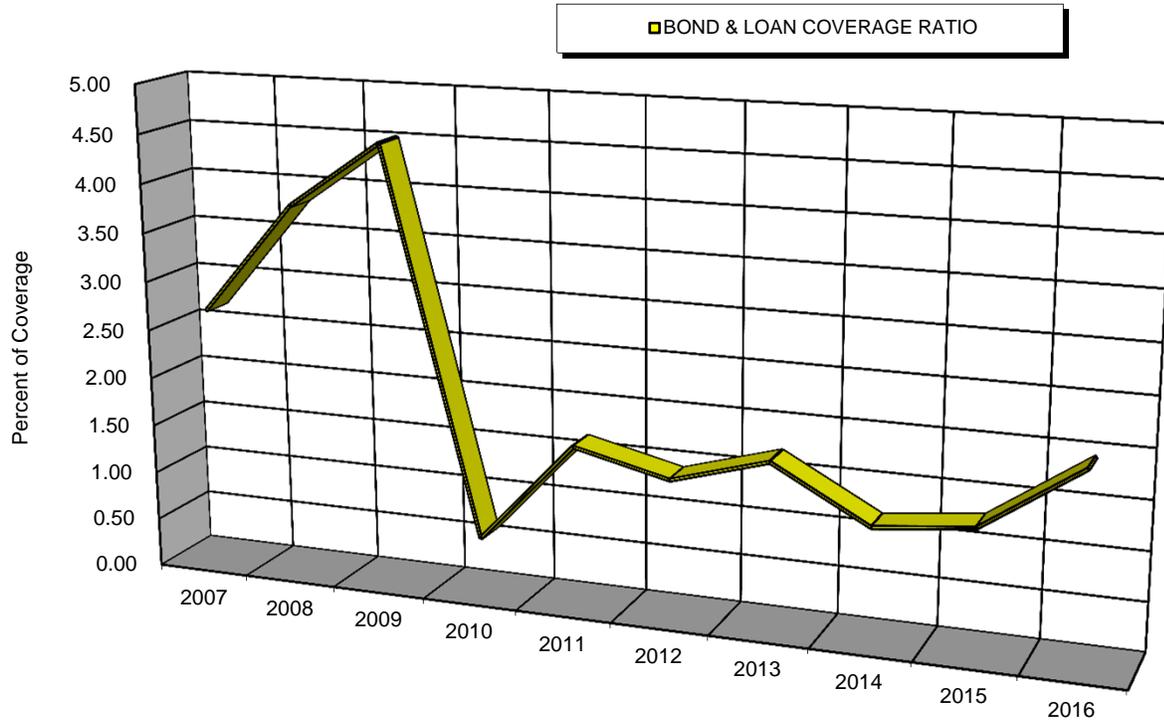
(a) Percentage of overlapping agency's assessed valuation located within boundaries of the City.

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

Source: California Municipal Statistics, Inc.

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND & LOAN COVERAGE RATIO
				Principal	Interest	Total	
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65
2012	8,496,612	5,302,863	3,193,749	1,630,000	624,798	2,254,798	1.42
2013	8,730,438	4,774,522	3,955,916	1,458,041	868,456	2,326,497	1.70
2014	8,699,499	5,668,142	3,031,357	1,466,913	1,131,503	2,598,416	1.17
2015	8,413,669	5,421,809	2,991,860	1,484,640	859,247	2,343,887	1.28
2016	10,123,692	5,562,583	4,561,109	1,502,886	838,469	2,341,355	1.95

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

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

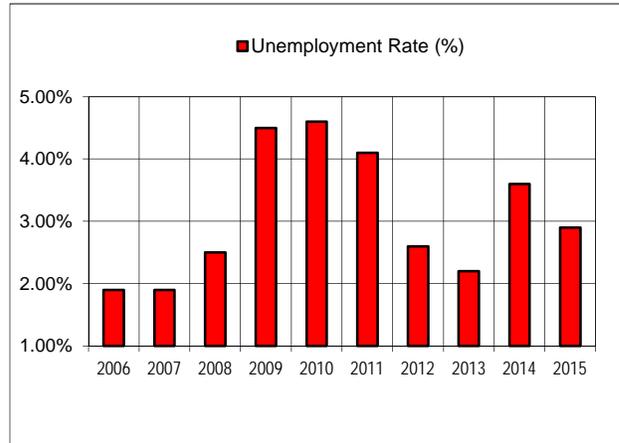
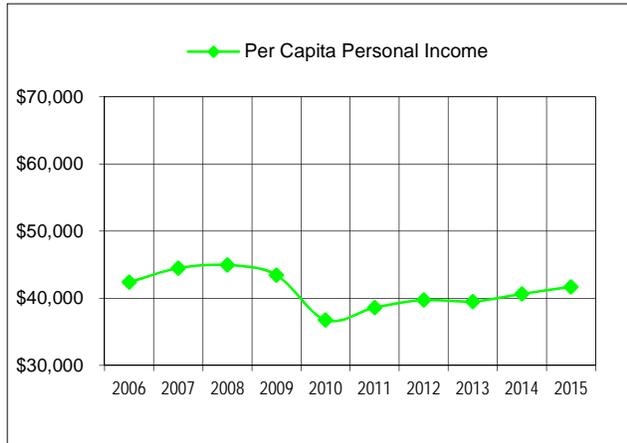
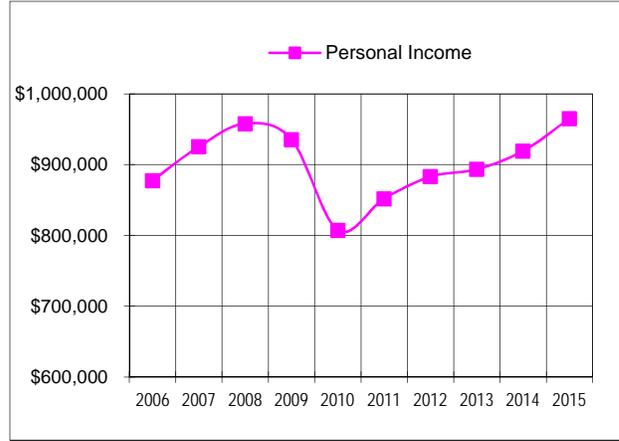
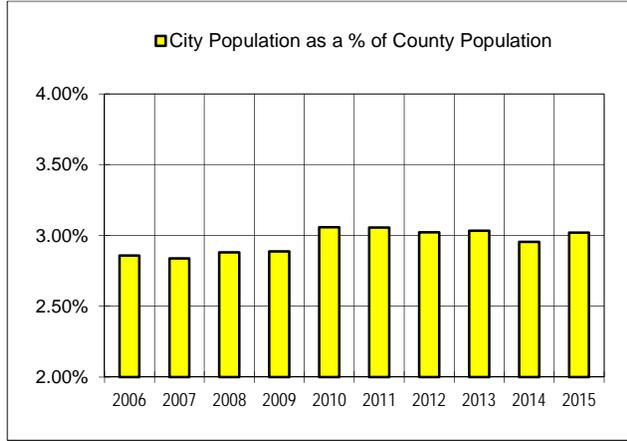
(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS



Calendar Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income	Per Capita Personal Income	Unemployment Rate (%)
2006	20,703	724,104	2.86%	\$877,713	\$42,395	1.9%
2007	20,810	733,496	2.84%	\$925,544	\$44,476	1.9%
2008	21,311	739,469	2.88%	\$958,075	\$44,957	2.5%
2009	21,531	745,858	2.89%	\$935,529	\$43,450	4.5%
2010	21,968	718,451	3.06%	\$807,390	\$36,753	4.6%
2011	22,069	722,372	3.06%	\$851,952	\$38,604	4.1%
2012	22,228	735,678	3.02%	\$883,230	\$39,735	2.6%
2013	22,605	745,193	3.03%	\$893,576	\$39,530	2.2%
2014	22,617	765,135	2.96%	\$919,313	\$40,647	3.6%
2015	23,136	766,041	3.02%	\$965,094	\$41,713	2.9%

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

CITY OF MILLBRAE

STATISTICS

PRINCIPAL EMPLOYERS

LAST TEN FISCAL YEARS

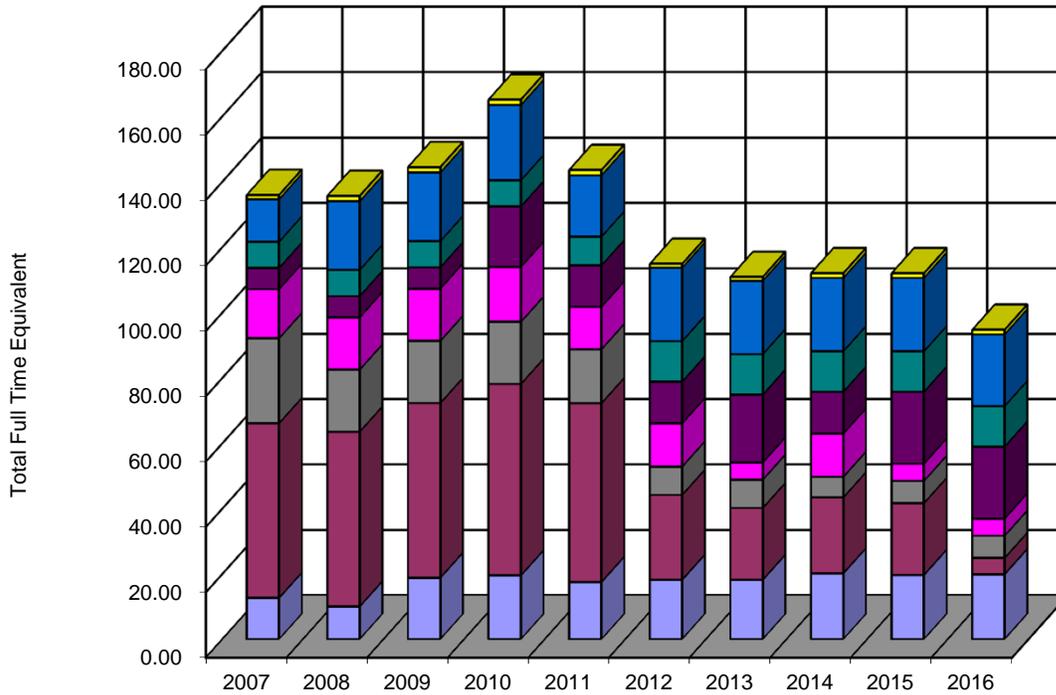
Principal Employer	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force	Number of Employees	Percent of City Labor Force
Westin Hotel	225	2.3%	225	2.3%	225	2.3%	173	3.1%	160	2.7%	164	3.1%	188	1.8%	210	3.1%	195	3.1%	215	3.1%
Millbrae School District			135	1.4%	135	1.4%	135	1.4%	185	1.9%	188	1.8%	186	1.8%	212	2.1%	220	2.1%	234	2.1%
A & C Health Care (1)			300	3.1%	300	3.1%	300	3.1%	158	1.6%	165	1.6%	165	1.6%	160	1.5%	160	1.3%	110	0.9%
San Francisco PUC (2)			168	1.7%	168	1.8%	168	1.8%	135	1.5%	147	1.4%	143	1.4%	149	1.4%	146	1.2%	145	1.2%
Best Western-El Rancho			135	1.4%	135	1.4%	144	1.5%	143	1.5%	105	1.0%	119	1.2%	112	1.0%	99	0.8%	115	0.9%
City of Millbrae			130	1.3%	130	1.4%	130	1.4%	113	1.2%	114	1.1%	114	1.1%	143	1.3%	137	1.1%	113	0.9%
Mills High School (3)			130	1.3%	130	1.4%	130	1.4%	108	1.1%	110	1.1%	110	1.1%	110	1.0%	115	0.9%	120	1.0%
Magnolia of Millbrae													85	0.8%	85	0.8%	105	0.9%	110	0.9%
Marymount Greenhills Retirement Center													72	0.7%					59	0.5%
Green Hills Country Club																				
Lucky							115	1.2%												
Kohl's Department Store									92	1.0%	92	0.9%								
Walgreens									86	0.8%										
Starwood Resorts	200	2.1%	200	2.1%	200	2.1%	440	4.6%												
Millbrae Serra Sanitarium	125	1.3%	125	1.3%	125	1.3%	135	1.4%												
Orchard Supply Hardware							100	1.0%												
Safeway							100	1.0%												
World Journal Inc	112	1.2%	112	1.2%	98	1.0%	100	1.0%												
Mervyn's LLC	100	1.0%			100	1.0%	100	1.0%												
Sprint Communications																				
Albertson's LLC																				
TOTAL	1,625	16.8%	1,660	17.3%	1,955	20.4%	2,115	22.0%	1,330	13.0%	1,313	12.9%	1,338	13.1%	1,668	15.3%	1,549	12.7%	1,471	12.1%
City Labor Force (4)	9,700		9,700		9,600		9,600		9,600		10,000		10,200		10,900		12,200		12,200	

(1) A & C Health Care includes employees at two locations in the City of Millbrae
 (2) San Francisco PUC (Public Utilities Commission) is a division of San Francisco County. Count is for employees only at the Millbrae location
 (3) Mills High School is in the San Mateo Union High School District. Count is for employees only at Mills High School in Millbrae
 (4) Total City Labor Force provided by State of California Employment Development Department Labor Force Data
 (5) 2013 results based on direct correspondence with city's local businesses.

Sources: MuniServices, LLC
 HdI Companies
 State of Calif

**CITY OF MILLBRAE
STATISTICS**

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



Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	12.62	10.00	18.78	19.50	17.50	18.15	18.15	20.15	19.65	19.85
Public Safety	53.50	53.50	53.50	58.63	54.75	26.00	22.00	23.25	22.00	5.00
Public Works	26.00	19.00	19.00	19.00	16.50	8.65	8.65	6.29	6.79	6.79
Community Development	15.00	16.00	16.00	16.80	13.00	13.25	5.25	13.25	5.25	5.25
Culture / Recreation	6.50	6.50	6.50	18.48	12.66	12.79	20.79	12.79	22.04	22.04
Water	8.00	8.00	8.00	8.00	8.75	12.39	12.39	12.39	12.39	12.39
Sanitation	13.00	21.00	21.00	23.00	18.75	22.45	22.45	22.45	22.45	21.95
Solid Waste	1.25	1.60	1.60	1.60	1.60	1.11	1.11	1.37	1.37	1.37
TOTAL	135.87	135.60	144.38	165.01	143.51	114.79	110.79	111.94	111.94	94.64

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

Source: City of Millbrae Budget Position Allocation

CITY OF MILLBRAE
STATISTICS

OPERATING INDICATORS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Fire										
Emergency Responses	2,620	2,620	2,567	2,554	2,764	2,683	2,735	2,680	2,914	3,176
Primary Fire Inspections	284	261	327	410	527	639	602	388	546	764
Police										
Police Calls for Service	19,159	20,175	19,554	20,944	20,706	17,876	14,837	13,924	14,721	14,783
Part I and Part II Crimes	1,219	1,271	1,353	1,369	1,273	1,157	1,367	1,189	1,302	1,329
Physical Arrests (adult and juvenile)	627	699	732	789	677	576	445	558	735	716
Traffic Violations	2,376	1,248	1,817	2,121	2,139	1,834	1,932	1,171	1,601	1,366
Parking Violations	4,391	7,842	8,603	11,154	9,030	5,562	6,707	6,694	5,235	5,360
Public Works										
Street Resurfacing (miles)	2	0	0	1	0	1	0	0	4	4
Potholes Repaired (square miles)	0.0000574	0.0000000	0.0000000	0.0007174	0.0009000	0.0008087	0.0004125	0.0009000	0.0010000	0.0010000
Culture and Recreation										
Community Services										
Recreation Class Participants	8,500	7,121	7,018	6,211	5,443	6,239	6,162	5,305	7,775	5,978
Library										
Volumes in Collection	100,000	110,876	111,447	109,241	109,595	110,550	113,345	105,796	116,959	124,000
Total Volumes Borrowed	503,000	577,350	616,145	633,241	578,739	550,956	548,010	501,348	498,492	466,531
Water										
Water Service Connections	6,437	6,435	6,459	6,474	6,499	6,546	6,549	6,540	6,568	6,556
Water Main Breaks	7	10	16	17	8	8	11	10	10	9
Average Daily Consumption (gallons)	2,367,000	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
Sanitation										
Sewer Service Connections	6,437	6,437	6,459	6,474	6,499	6,546	6,549	6,560	6,568	6,556
Storm Drain Inlets	700	700	700	700	700	700	868	868	868	868
Sewer Main Blockages	51	34	10	19	8	6	2	1	6	5
Average Daily Treatment (gallons)	1,700,000	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
Solid Waste										
Recyclables Processed (tons per year)	3,292	3,153	2,954	2,900	2,831	2,681	2,817	2,566	2,612	2,597

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS

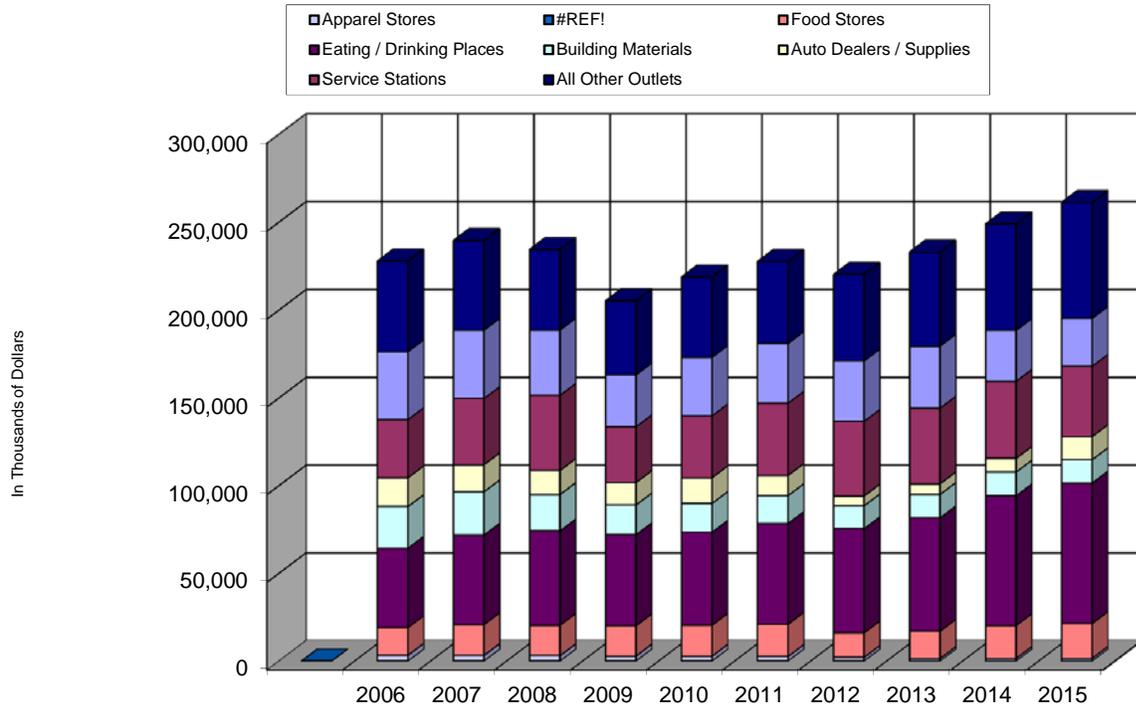
Function / Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Safety										
Fire Station	2	2	2	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1	1	1	1
Police Patrol Unit (a)	17	17	17	17	17					
Public Works										
Miles of Streets	110 lane miles									
Street Lights	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Traffic Signals	5	5	5	5	5	5	5	6	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	1	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	1	0	0	0
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	5	9	9	9
Soccer / Football Field	1	1	1	1	1	1	1	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) Effective March 2012, the Police Department and Force were dissolved; San Mateo County Sheriff's Office provides law enforcement services.

Source: City of Millbrae / GIS System

**CITY OF MILLBRAE
STATISTICS**

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



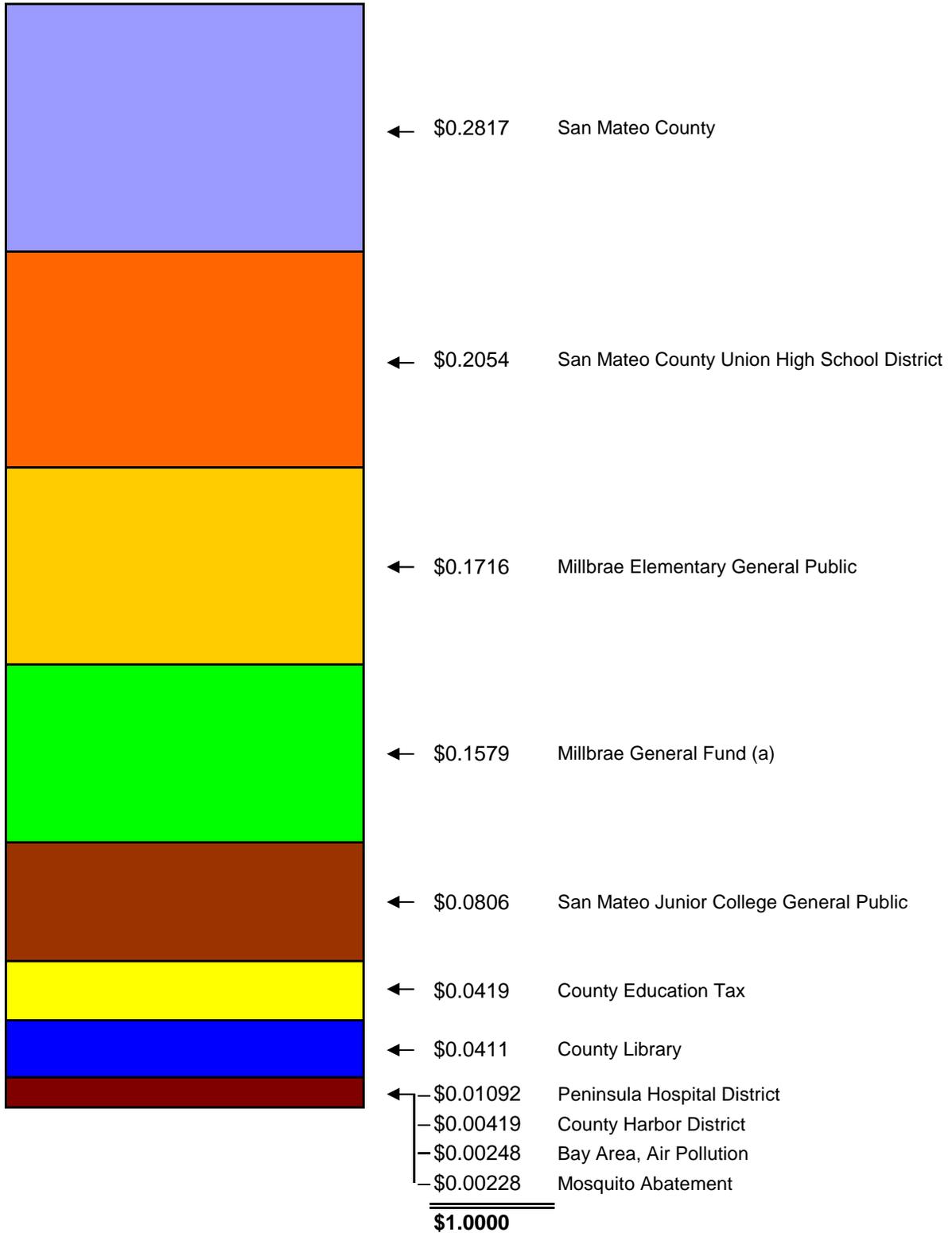
Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Apparel Stores	3,362	3,270	3,096	2,908	2,824	2,658	2,161	1,514	1,541	1,586
Food Stores	15,798	17,577	17,331	17,285	17,661	18,376	13,969	15,548	18,784	19,833
Eating / Drinking Places	45,255	51,069	53,855	51,912	53,037	57,470	59,383	64,662	73,946	80,157
Building Materials	23,747	24,659	20,745	16,975	16,406	15,883	13,050	13,350	13,548	13,272
Auto Dealers / Supplies	16,438	15,439	13,689	12,757	14,664	11,493	5,564	6,034	7,803	13,208
Service Stations	33,195	37,751	42,876	31,819	35,292	41,192	42,601	43,210	43,940	40,019
Other Retail Stores	38,606	38,851	37,107	29,555	33,299	33,991	34,425	35,255	28,912	27,268
All Other Outlets	51,539	51,028	45,793	42,110	45,696	46,631	49,141	53,471	60,530	65,924
TOTAL	227,940	239,644	234,492	205,321	218,879	227,694	220,294	233,044	249,004	261,267

Sources: Hdl Companies
State of California Board of Equalization

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

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX DOLLAR BREAKDOWN



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

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

**CITY OF MILLBRAE
STATISTICS**

SALES TAX PERCENTAGE BREAKDOWN

SALES TAX ALLOCATION FOR ITEMS SOLD IN THE CITY OF MILLBRAE

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

Listed below is the allocation of 9.00% Sales Tax:

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

To put this in perspective:

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

The allocation of the \$9.00 will be:

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

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