

# City of Millbrae

Millbrae, California

## *Comprehensive Annual Financial Report*

*For the year ended June 30, 2015*

Prepared by:  
Finance Department

City of Millbrae  
Comprehensive Annual Financial Report  
For the year ended June 30, 2015

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# *City of Millbrae*

621 Magnolia Avenue, Millbrae, CA 94030

ANNE OLIVA  
Mayor

REUBEN D. HOLOBER  
Vice Mayor

GINA PAPAN  
Councilwoman

ANN SCHNEIDER  
Councilwoman

WAYNE J. LEE  
Councilman

July 26, 2016

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

This is the Comprehensive Annual Financial Report for the City of Millbrae for the fiscal year ended June 30, 2015. This report consists of three sections, introductory, financial, and statistical. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City. All disclosures necessary to enable the reader to gain an understanding of the City's services to its citizens and customers have been included.

California statutes require that the City issue annually a report on its financial position of its governmental activities and business-type activities, and that this report be audited by independent certified public accountants. Badawi & Associates performed the audit and issued their unmodified opinion located at the front of the financial section of this report. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should read in conjunction with it.

Management of the City is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are made to assess the expected benefits and related cost of control procedures. The objectives of a system of internal control are to provide management with reasonable but not absolute, assurance that assets are safeguarded against loss with management and Council authorization and are properly recorded to permit the preparation of financial statements in conformity with generally accepted accounting principles. We believe that the City's internal accounting control techniques and procedures adequately safeguard assets and provide reasonable assurance that financial transactions are properly recorded.

## **Profile of the Government**

Incorporated in 1948, Millbrae is located adjacent to the San Francisco International Airport and is 15 miles south of San Francisco in the heart of San Mateo County. The City encompasses 3.3

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

Fire  
(650) 259-2400

Building Division/Permits  
(650) 259-2330

Police  
(650) 259-2300

Community Development  
(650) 259-2341

Public Works/Engineering  
(650) 259-2339

Finance  
(650) 259-2350

Recreation  
(650) 259-2360



square miles and serves a largely residential population of approximately 22, 800. The City operates according to the Council-Manager form of government which vests authority in an elected City Council. Five members comprise the City Council elected by Millbrae citizens. The City Council is the City's legislative and policy-making body. The City Council appoints the City Manager who is responsible for overall administration of the City. In addition to appointing the City Manager, the City Council also appoints the City Attorney and members of the City's boards and commissions.

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

### **Major Reporting Changes**

Implementation of GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time and to comprehensively and comparably measure the annual cost of pension benefits. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. This change significantly impacted governmental and business-type liabilities with increases in Net Pension Liabilities.

### **The Local Economy**

Property tax continues to be the largest revenue source for the City. City property values have rebounded since their recessionary lows. Year over year growth for each of the past few years has created increases in assessed valuations and, thus, property tax revenues to all taxing agencies, including the City. According to the San Mateo County Assessor, as of January 1, 2015, the City had over 7,200 parcels with a combined value of \$4.4 billion. This is an increase in value of approximately 7% when compared with the assessment rolls for January 1, 2014.

The City's second largest source of general fund revenue is transient occupancy taxes. The City has experienced a year over year increase in this tax of approximately 20% due largely to the reopening of a major hotel and higher occupancy levels because of increases in travel and tourism.

Sales Tax is the third largest Governmental Activities revenue source for the City. According to the Department of Finance, Sales Tax revenues have shown gains statewide due to the strengthening economy, with greater gains experienced in the Bay Area and Los Angeles Area markets. The City's Sales Tax revenues experienced a single year increase of 32% due to the strengthening economy. The increase came with the loss of a major retailer for which agreement in principle has been reached for a suitable replacement. Diversification of the City's economic community helps to mitigate sales tax revenue fluctuations when they occur. The City commercial business base includes a mix of retail, shopping, restaurants, service businesses, hotels, and public services. The City also houses the Millbrae BART Station that provides a critical link to CalTrain



and SamTrans, San Francisco International Airport, and a host of hotels that serve the airport area, thus maximizing regional travel options for passengers in the San Francisco Bay Area.

## **Budget Process**

The City adopts an annual budget for all funds. The City uses the budget to establish its goals and program priorities, and identify the resources required to achieve the desired service levels for the upcoming fiscal period. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City maintains extensive budgetary controls with ultimate control exercised at the Fund level by the City Council, and with City Manager discretion to transfer appropriations between departments to achieve the City Council's goals and policy directions.

## **Major Initiatives**

### General

The City proactively implements cost savings measures to streamline operations and maintain service levels within the community. A key City priority is to be efficient and effective in delivering services to its citizens that live, work, visit, or play in the City of Millbrae. The City has successfully transitioned its law enforcement services to the San Mateo County Sheriff's Office under a contract for services model, and has transitioned Fire Department administration and training through a shared services arrangement with the Central County Fire Department. The City refinances long-term debt where feasible and adjusts its compensation and staffing levels to meet organizational change. The City utilizes consultants for staff augmentation and greater flexibility with certain of its positions, and also utilizes temporary staff where feasible for certain of its positions. The City continues to seek new ways to deliver services in ways that provide the same if not higher levels of service but in more cost-effective ways.

The City's Net Position in the General Fund increased from the prior year to approximately \$17.5M that places the City in a better position to address financial issues such as funding benefit obligations and capital needs. Property taxes, transient occupancy taxes, and sales taxes show positive trends and gains from the past five recessionary years, and the City still must plan conservatively to address its aging infrastructure replacement needs and fund its long-term benefit obligations. Strategic financial planning continues to be a priority of the City with the goal to achieve greater degrees of financial sustainability into the future.

### Master User Fee Study and Cost Allocation Study

The City plans to select a consultant to perform an update of its Master User Fee Schedule and perform a cost allocation study to update cost allocations between departments and funds. The Schedule lists all fees the City charges for services and service connections and was last updated approximately ten years previously. The City also uses a consultant firm to perform audits of its hotel taxes, business licenses, and sales tax revenues. Updated fees will augment revenue through charging accurate fees for services and charge accurate costs between departments or funds.

### OPEB Administrator

The City has selected an OPEB administrator pending execution of plan documents and transfer



of plan assets to an IRS approved Section 115 trust. After transfer of the assets, the administrator in conjunction with the trust fund manager will manage the plan assets in accordance with the requirements of the trust.

#### Refinance former Redevelopment Agency Debt

The City refinanced its series 2005 Tax Allocation Refunding Bonds in 2015. The 2015 bonds provide economic savings in the amount of approximately \$60K per year through 2035. The net present value savings of the refinancing amounts to approximately \$325K or 4.5% of the par value of the 2005 bonds refunded. The refinancing transaction closed on July 16, 2015 placing the 2005 bonds in escrow and the 2005 bonds are callable on any date on or after August 1, 2015 at par with no call premium. Transaction close marks the point of legally defeasing the 2005 Tax Allocation Bonds that upon call will be cancelled.

#### Wastewater Rate Increases, Debt Issuance, and Capital Improvement Program (CIP) Program

The City entered into a Consent Decree with the San Francisco Baykeeper in November 2010 for alleged violations of the Clean Water Act in connection with its wastewater collection system and treatment plant. The Consent Decree 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. Engineer estimates call for improvements totaling \$34M that will be funded in large part through additional debt over time. The City hired a consultant to perform a rate study and put in place a series of rate increases through the fiscal year 2020. Rate increases are in place and a bond issuance transaction is anticipated in early 2017 to fund the construction phase.

#### Water Rate Increases

Water rates were last raised for the fiscal years ending June 30, 2010 through June 30, 2014. These increases were largely responding to substantial increases from the San Francisco Public Utility Commission (SFPUC) for improvements to its Hetch Hetchy water system that supplies water to Millbrae. Severe drought conditions exist statewide that has led to further increases from the SFPUC for the purchase of water for Millbrae. A water rate study is needed given the current conditions to evaluate the water utility with respect to its financing structure for its ability to meet its operating costs as well as funding its capital needs.

#### Storm Water Funding

On-going, reliable funding for the City's Storm Water Fund is a concern for many cities in the Bay Area, including Millbrae. The current revenues do not cover the operating costs of the fund, and requires a subsidy from the City's General Fund. Changing the rate for the Storm Water Fund would be difficult under the terms of Proposition 218. Several countywide discussions, including with local State Legislators continue in pursuit of an ongoing, reliable revenue stream.

#### Financial and Enterprise Wide System Purchase and Implementation

The City currently uses several non-integrated systems to manage finances, human resources, payroll, utility billing, miscellaneous receivables, and community development permitting. The system has been in place since 1995 and has exceeded typical industry life span. The City has entered into an agreement for the purchase of Tyler New World Systems, which will replace the existing legacy financial system with an integrated system that provides a single solution to handle



the City's financial system needs. A future phase will cover community development permitting.

#### Capital Infrastructure Program

The City Infrastructure Task Force identified four critical infrastructure groups, public roads, the sewer system, water lines, and the storm drain system. Master plans were created for each group, and projects were then prioritized for funding and construction. The City's two-year budget will schedule projects for completion in a systematic and rational manner based upon available funding, the availability of qualified contractors, and timing of construction cycles.

#### Public Safety Improvement Plan

Citizen concerns have driven the need to define and implement a public safety improvement plan. Elements of the plan include traffic safety, emergency preparedness, and crime prevention. The City will use a consultant to study heavy traffic corridors while data and information for much of the rest of the plan will be obtained through holding town hall meetings.

#### General Plan Update

The General Plan provides the roadmap for overall definition of City planning, zoning, permitting, ordinances, municipal code, building code, enforcement, traffic congestion, noise levels, fee structures, and public safety. The General Plan update calls for community engagement strategies such as branding, a website, a newsletter, and broad outreach to invite stakeholders and other interested parties to participate in the update. Stakeholders include community leaders, committee/commission chairs, youth advisory committee, business and property owners, faith based representatives, education representatives, developers, and others.

#### Economic Development of Downtown Business District

An assessment of the downtown district is underway to preserve its unique character, to attract new business, and to encourage spending in Millbrae. The City Council Subcommittee has been appointed to review recommendations and create a set of actions for a long-term development plan.

#### Millbrae Station Area Specific Plan

The City of Millbrae has updated the zoning around the Millbrae BART (Bay Area Rapid Transit)/Caltrain Station to encourage more development of all kinds near this important transit hub that serves San Francisco, the San Francisco International Airport, Silicon Valley and the entire Bay Area. The result of this planning effort is the 2016 Millbrae Station Area Specific Plan, which refined a vision for the area around the Millbrae Station, set development standards for new buildings and identified implementation strategies. The certified Environmental Impact Report evaluates the anticipated build-out potential and allows up to approximately 1.65 million square feet of office space, 275,00 square feet of retail space, 1750 residential units, and 370 hotel room, responding to increasing market demand especially office and hotel development because of freeway frontage, airport proximity and transit access.

#### **Awards**

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City

for its comprehensive annual financial report for the fiscal year ending June 30, 2014. This was the twenty-first (21<sup>st</sup>) consecutive year that the City has achieve this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only and the City must submit each CAFR to the Certificate of Achievement program to determine eligibility for another certificate.

### **Acknowledgements**

In submitting this June 30, 2015 Comprehensive Annual Financial Report, sincere appreciation is expressed to the members of the Millbrae City Council for their support, to the members of the Finance and Administrative staff, and the members of all other departments that provided information and ideas and participated in the preparation of this report.

Sincerely,

A handwritten signature in blue ink, appearing to read 'MR', with a horizontal line extending to the right.

Marcia Raines  
City Manager

## 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*

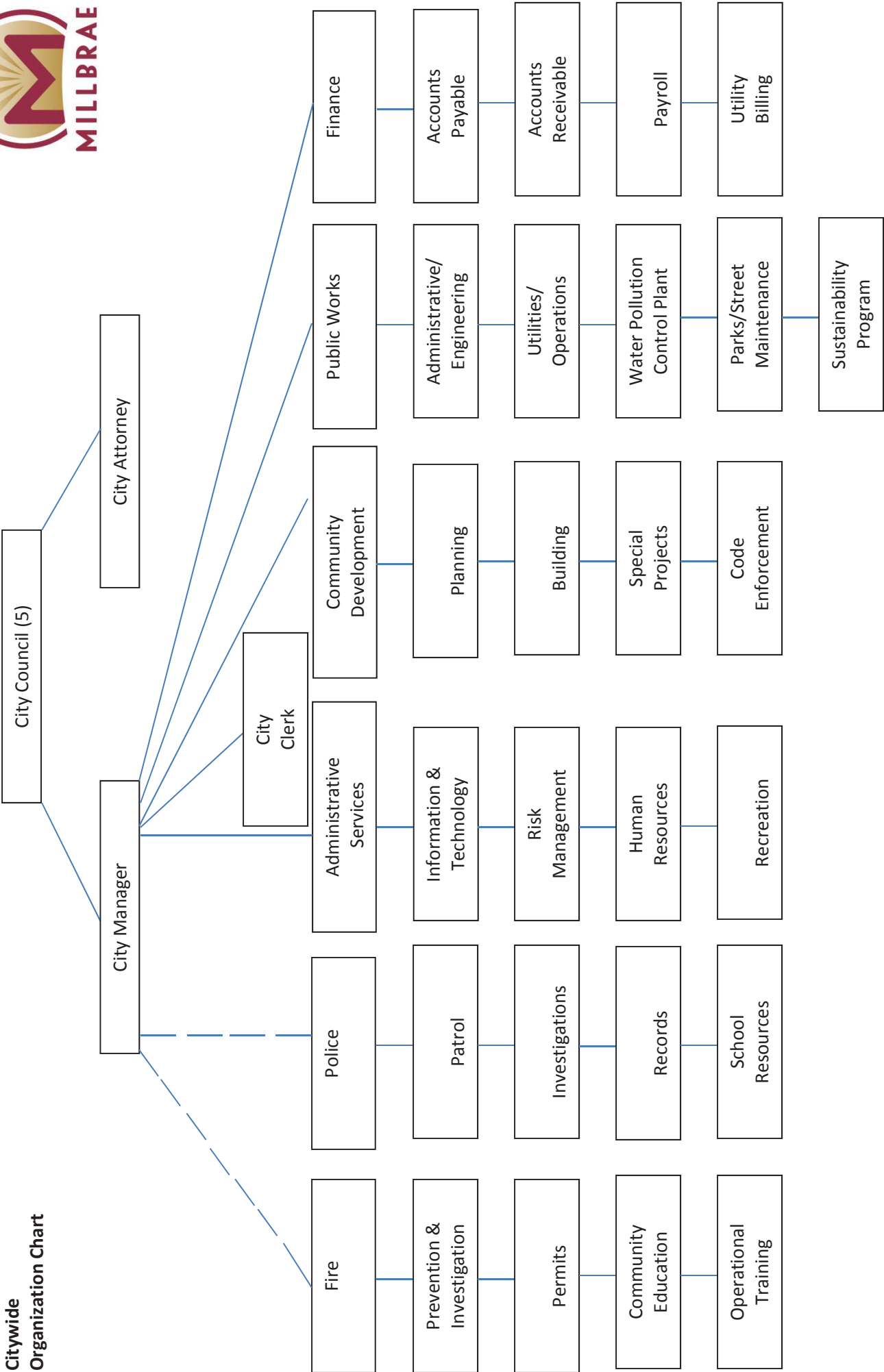
Roger Copeland

*Law Enforcement Services*

Ray Chan

*Public Works Director*





**Key**  
Contracts: - - - - -



Government Finance Officers Association

**Certificate of  
Achievement  
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Presented to

**City of Millbrae  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

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## 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, 2015, 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.



### ***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, 2015, 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 5-20 and 100-108 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 115-130 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 112-131 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 112-131 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 July 26, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates  
Certified Public Accountants  
Oakland, California  
July 26, 2016

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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, 2015. 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

- Adoption of Governmental Accounting Standards Board's Statement No. 68 to reflect net pension obligations on the government-wide financial statements. The effects of GASB 68 recorded by prior period adjustment reduce net position by approximately \$35,130,000 for governmental activities and approximately \$6,674,000 for business-type activities.
- Prior period adjustment to restate financial reporting for below market housing loans reported within the Low and Moderate Income Housing Fund. The effects of this correction increase net position approximately \$11,213,000.
- Rate study and rate increase public hearings for the sanitation fund for adequate revenue coverage for operating costs and new issuance debt service for improvements to meet the requirements of the Baykeeper consent decree described in the notes to the financial statements.
- The City completed transfer of its fire services to the Central County Fire Department effective December 31, 2014 with the exception of four firefighters retained to complete an existing contract for fire services with the City of San Bruno ending December 31, 2015.
- The City set aside \$3.9 million from General Fund reserves towards its Other Post Employment Benefits (OPEB) Liabilities (net of \$1M transferred to Central County Fire for OPEB obligations in connection with the transfer of fire responsibilities and personnel to Central Fire) in a separate Internal Services Fund for the purpose of transfer to an OPEB administrator once plan setup is complete.
- Replacement of eight utility maintenance vehicles financed from the Garage Internal Service Fund.
- Infrastructure capital improvements for lines replacement and treatment plant improvements for the sanitation fund. The City is looking to invest nearly \$35 million in its wastewater infrastructure in order to comply with the Consent Decree and to maintain compliance with regulatory requirements.
- As of June 30, 2015, government-wide net position was \$70.3M, a decrease of \$34.7M from prior year. Unrestricted government-wide net position (deficit) was (\$15.5M), a decrease of \$46.8M from prior year. Decrease due to prior period adjustment and not current year activity.
- As of June 30, 2015, the governmental activities had \$47M in total net position, which decreased \$27.6M from prior year. Unrestricted government activities net position (deficit) was (\$24.6M) a decrease of \$38.8M from prior year due to prior period adjustment and not current year activity.
- As of June 30, 2015, the business-type activities had \$23.3M in total net position, which decreased \$7.1M from prior year. Unrestricted business-type activities net position was \$9.1M a decrease of \$7.9M from prior year due to prior period adjustment and not current year activity.



- As of June 30, 2015 and separate from restatement of net position beginning balances due to the prior period adjustment, there were increases (decreases) in current year net position for governmental activities and business-type activities in the amounts of \$7.5M and (\$400K), respectively.
- As of June 30, 2015, the general fund had \$17.5M in total fund balance, which increased by \$2.5M from prior year. Unassigned fund balance was \$12.2, an increase of approximately \$2.2M.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

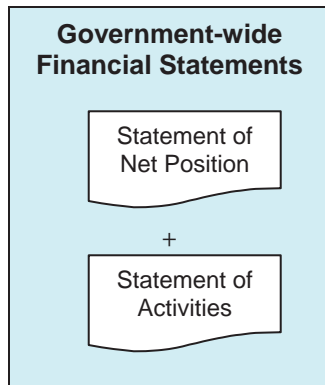
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Financial Statements; and (3) Notes to the Basic Financial Statements. The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

	<b>Government-wide Financial Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	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
<b>Basis of Accounting</b>	Accrual	Modified Accrual	Accrual
<b>Accounting Method</b>	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
<b>Measurement Focus</b>	All Economic Resources	Current Financial Resources	All Economic Resources
<b>Type of Asset and Liability Information</b>	All Assets, Capital, Short and Long-term Liabilities	Current Assets and Liabilities due during the year or soon thereafter	All Assets, Capital, Short and Long-term Liabilities

### **Government-wide Financial Statements**

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



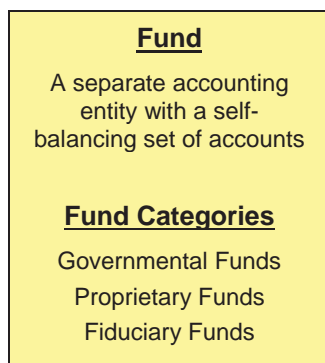
The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of an improving or deteriorating financial position.

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

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

### **Fund Financial Statements**

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



#### *Governmental Funds*

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

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

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

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

### *Proprietary Funds*

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

### *Enterprise Funds*

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

Municipal Water System	To account for the administration, operation, and distribution of the City's Municipal Water System
Wastewater Treatment	To account for the administration, collection, and treatment of the City's 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 are not reflected in the government-wide statements because the resources of these funds are not available to support the City's governmental activities.

### **Notes to the Basic Financial Statements**

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

### **Required Supplemental Information**

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

### **Other Information**

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

## **GOVERNMENT – WIDE FINANCIAL ANALYSIS**

### **Analysis of Net Position**

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

As shown on the following table, the City's net position was approximately \$70.3M as of June 30, 2015 compared to approximately \$105M at June 30, 2014. This represents a 33% decrease from the prior year. Net position decreased by approximately \$27.6M in Governmental Activities; while those from Business-Type Activities decreased by \$7.1 million.

The decreases referred to above were due to restatements of beginning net position in connection with implementation of GASB 68 to record full pension obligations and not due to current year activities. Current year activities show an increase in net position for governmental activities in the amount of \$7,489,104 and a small loss in business-type activities in the amount of (\$396,390) for an overall net position increase in the amount of \$7,092,714.



**GOVERNMENT-WIDE FINANCIAL ANALYSIS**  
**NET POSITION**  
June 30, 2015

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
<b>ASSETS</b>						
Current and other Assets	54,863,002	56,176,258	20,299,192	17,902,723	75,162,194	74,078,981
Capital Assets	56,900,237	55,966,041	50,419,426	51,035,112	107,319,663	107,001,153
<b>TOTAL ASSETS</b>	<b>111,763,239</b>	<b>112,142,299</b>	<b>70,718,618</b>	<b>68,937,835</b>	<b>182,481,857</b>	<b>181,080,134</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,748,103</b>	<b>-</b>	<b>470,761</b>	<b>-</b>	<b>2,218,864</b>
<b>LIABILITIES</b>						
Short-Term Liabilities	2,255,893	1,964,057	1,533,201	1,556,285	3,789,094	3,520,342
Long-Term Liabilities	32,423,153	55,060,100	37,329,588	41,492,189	69,752,741	96,552,289
Other Liabilities	2,484,118	2,381,056	1,474,707	1,553,834	3,958,825	3,934,890
<b>TOTAL LIABILITIES</b>	<b>37,163,164</b>	<b>59,405,213</b>	<b>40,337,496</b>	<b>44,602,308</b>	<b>77,500,660</b>	<b>104,007,521</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>7,525,701</b>	<b>-</b>	<b>1,495,736</b>	<b>-</b>	<b>9,021,437</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	46,920,062	46,174,786	13,320,810	14,161,542	60,240,872	60,336,328
Restricted Net Assets:						
Debt Service	937,042	981,834			937,042	981,834
AB 2928 Grant	-	-			-	-
Gas Tax	1,821,984	1,637,036			1,821,984	1,637,036
Developer Fee - Operating	3,194,653	3,217,488			3,194,653	3,217,488
Housing Activities	1,234,970	12,413,931				12,413,931
Other special programs	4,399,987	4,881,907				4,881,907
Measure A	1,847,516	2,295,915			1,847,516	2,295,915
Unrestricted	14,243,861	(24,643,409)	17,060,312	9,149,010	31,304,173	(15,494,399)
<b>TOTAL NET POSITION</b>	<b>74,600,075</b>	<b>46,959,488</b>	<b>30,381,122</b>	<b>23,310,552</b>	<b>104,981,197</b>	<b>70,270,040</b>

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

The restricted portion of net position is \$25.4 million (54.1%) and represents resources that are subject to external restrictions on use. At the end of fiscal year 2014-2015, the City had positive balances in most of the categories used to calculate net position for both for the Governmental and Business-type Activities. Governmental Activities now has a large unrestricted deficit due to the implementation of GASB 68.

## Analysis of the Changes in Net Position

### CHANGE IN NET POSITION

June 30, 2015

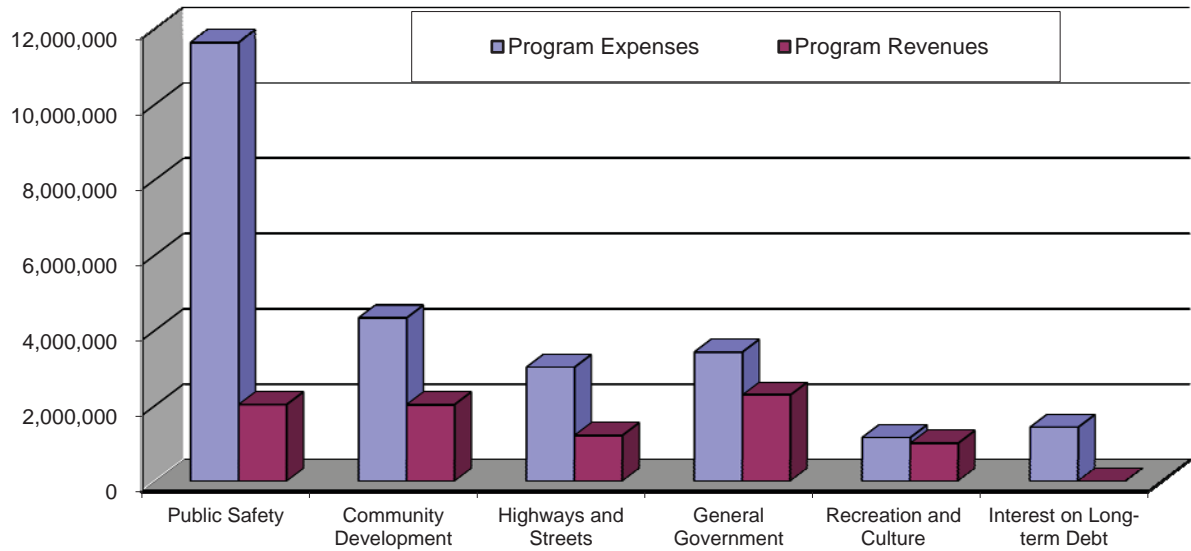
	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
<b>REVENUES</b>						
Program Revenue:						
Charges for Services	6,561,573	7,559,386			6,561,573	7,559,386
Operating Contributions and Grants	920,818	1,013,115			920,818	1,013,115
Municipal Water System			6,978,562	6,205,980	6,978,562	6,205,980
Waste Water Treatment			8,581,336	8,399,479	8,581,336	8,399,479
Storm Drain			255,353	364,536	255,353	364,536
General Revenue:						
Property Taxes	10,106,598	10,839,730			10,106,598	10,839,730
Sales Tax	2,269,198	2,709,549			2,269,198	2,709,549
Transient Occupancy Tax	6,136,979	7,467,020			6,136,979	7,467,020
Franchise Tax	1,172,386	1,029,029			1,172,386	1,029,029
Other Taxes	802,021	823,823			802,021	823,823
Motor Vehicle In-Lieu	13,589				13,589	0
Investment Earnings	371,386	298,921	180,811	34,835	552,197	333,756
Miscellaneous	101,256	369,939	23,585		124,841	369,939
<b>TOTAL REVENUES</b>	<b>28,455,804</b>	<b>32,110,512</b>	<b>16,019,647</b>	<b>15,004,830</b>	<b>44,475,451</b>	<b>47,115,342</b>
<b>EXPENSES</b>						
General Government	3,214,519	3,428,522			3,214,519	3,428,522
Public Safety	10,427,036	11,649,676			10,427,036	11,649,676
Highway and Streets	2,514,396	3,023,862			2,514,396	3,023,862
Recreation & Culture	1,447,531	1,156,981			1,447,531	1,156,981
Community Development	3,642,560	4,333,808			3,642,560	4,333,808
Interest on Long-Term Debt	1,399,560	1,431,115			1,399,560	1,431,115
Municipal Water System			6,470,274	6,686,084	6,470,274	6,686,084
Waste Water Treatment			8,155,137	7,874,433	8,155,137	7,874,433
Storm Drain			454,261	438,147	454,261	438,147
<b>TOTAL EXPENSES</b>	<b>22,645,602</b>	<b>25,023,964</b>	<b>15,079,672</b>	<b>14,998,664</b>	<b>37,725,274</b>	<b>40,022,628</b>
Excess Before Transfers	5,810,202	7,086,548	939,975	6,166	6,750,177	7,092,714
Other Financing Sources						
Transfers	(235,827)	402,556	235,827	(402,556)		
<b>CHANGE IN NET POSITION</b>	<b>5,574,375</b>	<b>7,489,104</b>	<b>1,175,802</b>	<b>(396,390)</b>	<b>6,750,177</b>	<b>7,092,714</b>
Net Position at Beginning of Year	69,025,700	39,470,384	29,205,320	23,706,942	98,231,020	63,177,326
<b>NET POSITION AT YEAR END</b>	<b>74,600,075</b>	<b>46,959,488</b>	<b>30,381,122</b>	<b>23,310,552</b>	<b>104,981,197</b>	<b>70,270,040</b>

The total change in net position was \$7,092,714 for the fiscal year 2014-2015 with an increase in the amount of \$7,489,104 and a decrease in the amount of (\$396,390) for governmental activities and business-type activities, respectively. The change in net position for governmental activities increased over the prior year in the amount of \$1,914,729 from \$5,574,375 to \$7,489,104. The change in net position for business-type activities decreased in the amount of (\$1,572,192) from \$1,175,802 to (\$396,390).

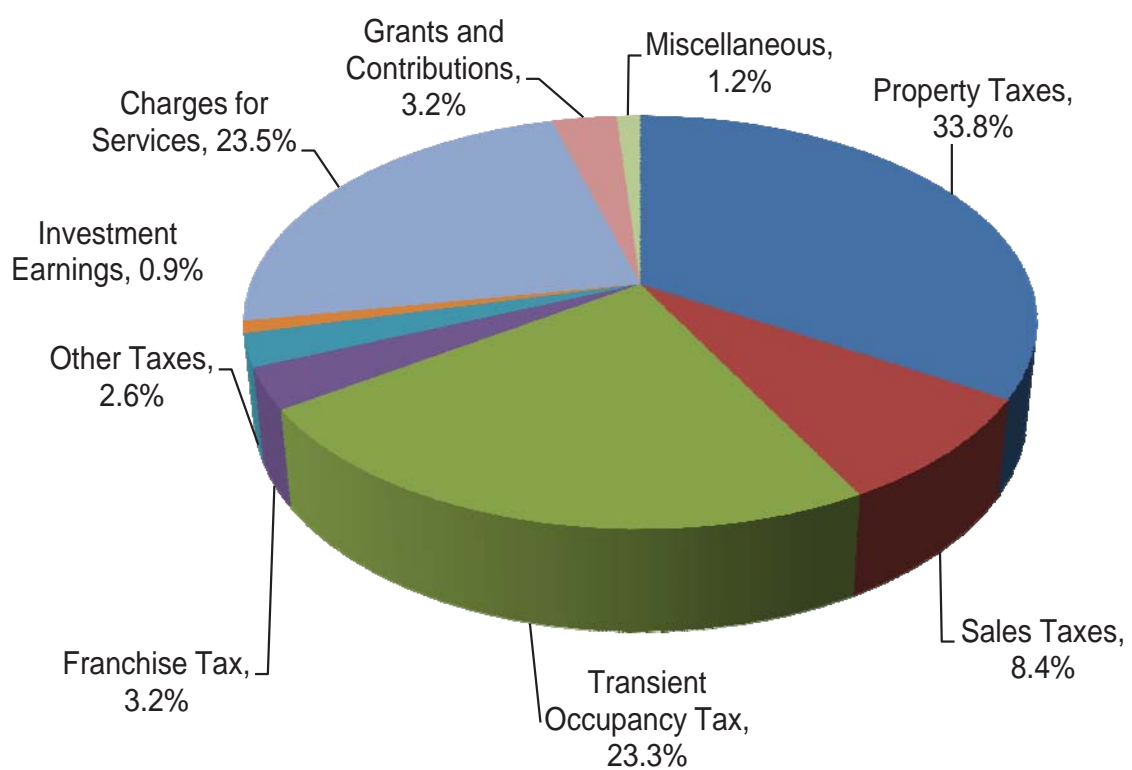
Key factors contributing to the variance from the prior year are as follows:

- Total Governmental Activities revenues increased \$3,654,708 from \$28,455,804 to \$32,110,512. The following are highlights of the significant changes in revenues leading to the net overall increase:
  - Charges for Services increased by \$998,000 (15.2%) due to increases in building permits and service charges in connection with developments surrounding the Millbrae BART Station;
  - Property Taxes increased by \$733,000 (7%) due to increased assessment values resulting from real estate price increases and turnover;
  - Sales Tax increased by \$440,000 (19%) due to general increases in retail sales in Millbrae and in the larger metropolitan area;
  - Transit Occupancy Tax increased by \$1.3 million (21.6%) resulting from the recent re-opening of a major hotel for which a full year's revenue was received in the fiscal year 2014-2015 as well as general increases from other hotels due to higher occupancies for tourism and business travel;
  - Franchise Fees and Other Taxes are consistent between years with no particular reason for the small change;
  - Miscellaneous Revenues increased by \$268,000 due in large part to the sale of surplus vehicles.
- Public Safety expenditures for police and fire contracts increased by \$1,222,640 (11.7%) due to general increases for the police contract and a transitional year for the fire contract. Fire was with the City of Millbrae for the first half of the fiscal year and transitioned to the Central County Fire Department for the second half of the fiscal year.
- Recreation and Culture expenditures decreased by \$290,000 (20%) due to higher restructuring costs for the provision of recreation services in the prior fiscal year that were no longer needed in the current fiscal year.
- Community Development expenditures increased \$691,000 (19%) due to increased consultant costs for development activity associated with various development projects under construction and in various stages of planning.
- Cash basis interest on long-term indebtedness normally is either consistent between years or decreases due to declining principal balances. However, noncash accretions in connection with the 2004 pension obligation bonds increased interest expense by \$31,000 (2%).

**Governmental Activities**  
**PROGRAM EXPENSES AND PROGRAM REVENUES**  
**FY 2014-2015**



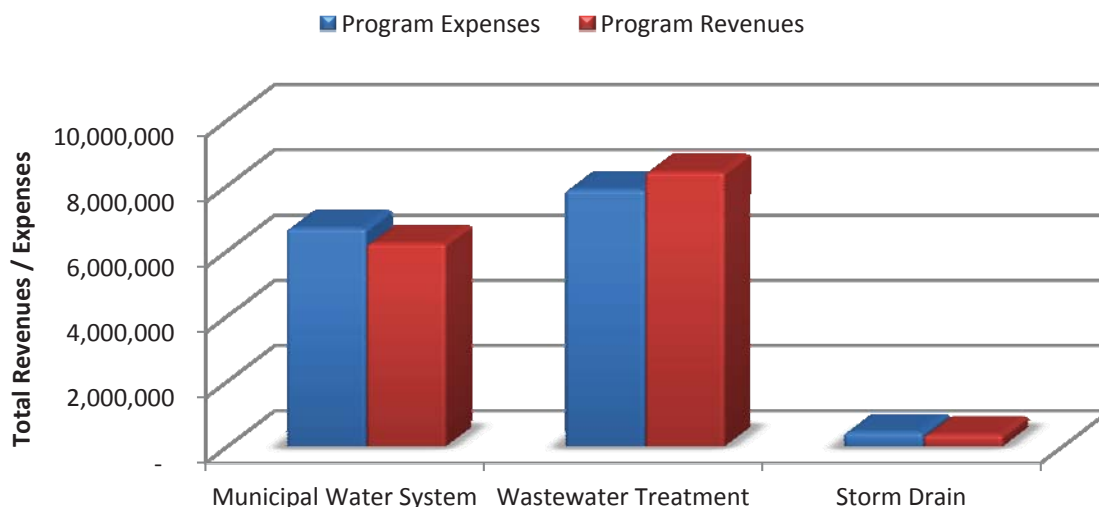
**Governmental Activities**  
**REVENUES BY SOURCE**  
**FY 2014-2015**



The charts shown previously illustrate the City's Governmental Expenses and Revenues by Program, and Revenues by Source. Public Safety is the largest expenditure category representing 46% of Governmental Activities, followed by Community Development (17%), General Government (14%), Highways & Streets (12%), Recreation and Culture (5%) and Interest on Long-Term Debt (6%).

General Revenues such as property tax, business tax, and sales tax are not shown by Program, but are used to support program activities citywide. For Governmental Activities, Property Taxes were the largest single source of revenue (34%), followed by Charges for Services (24%), Transient Occupancy Tax (23%), Sales Taxes (8%), and various Other Taxes (11%).

### Business-type Activities PROGRAM EXPENSES AND PROGRAM REVENUES FY 2014-2015



Business-type Activities decreased the City's total net position by (\$400,000) to \$23.3 million during fiscal year 2014-2015, compared to the increase of \$1.2 million during fiscal year 2013-2014. Key factors contributing to the decrease from the prior year are as follows:

- Business-type Activities revenue decreased by (\$1,014,817), and expenses decreased by (\$81,000) compared to those in prior year. Revenues exceeded expenditures by \$6,000 before transfers of \$402,000. The continuing drought has taken its toll on both water revenues and wastewater revenues reducing business-type revenues the \$1M in total. Reductions in water sales reduce wastewater revenues because of the wastewater consumption component of the rate.
- The last wastewater rate increase was for the fiscal year 2010-11 with no rate increases for the fiscal years 2011-12 through 2014-15. The last water rate increase was for the fiscal year 2013-14 with no water rate increase for the fiscal year 2014-15. The previous water rate increases, however, were offset by substantial increases in the cost of water from the San Francisco Public Utilities Commission. The PUC increases were for water system related capital improvements.
- Business-type activities are intended to be self-sustaining wherein rate-based revenues charged to customers support the operating costs of the funds. In this case, the third business activity, the Storm Drain fund, is not self-sustaining and requires transfers from the General Fund.

## GOVERNMENTAL AND PROPRIETARY FUND ANALYSIS

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

### Governmental Funds

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

At the end of fiscal year 2014-2015 the City's Governmental Funds reported a combined ending Fund Balance of \$42.9 million, an increase of \$14.1 million (49.0%) over the prior year ending balance of \$28.8 million.

### Comparative Analysis of Changes in Governmental Fund Balances

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds for fiscal year 2014-2015 compared to the prior fiscal year.

#### Governmental Funds

##### COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE June 30, 2015

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Ending Fund Balances	
	2014	2015	2014	2015	2014	2015	2014	2015
General Fund	23,556,032	26,866,576	19,140,487	24,349,699	4,415,545	2,516,877	14,975,945	17,492,822
Low and Moderate Income Housing	18,666	18,166	12,335	51,926	6,331	(33,760)	1,234,970	12,413,931
Other Governmental Funds	17,336,687	6,946,583	17,229,530	6,562,164	107,157	384,419	12,629,761	13,014,180
<b>TOTAL</b>	<b>40,911,385</b>	<b>33,831,325</b>	<b>36,382,352</b>	<b>30,963,789</b>	<b>4,529,033</b>	<b>2,867,536</b>	<b>28,840,676</b>	<b>42,920,933</b>

The General Fund had an ending Fund Balance of \$17.5 million, an increase of \$2.5 million over the prior year end balance. Key factors contributing were significant gains in property taxes, sales taxes, and transient occupancy taxes. The Low and Moderate Income Housing Asset Fund had an ending Fund Balance of \$12.4 million, increasing by \$0.4 million during the current fiscal year and including a restatement of \$11.2 million to eliminate unavailable revenues related to loan receivables. Other Governmental Funds have a combined ending Fund Balance of \$13.0 million, an increase of \$384 thousand over the prior year ending balance.



### Comparative Analysis of Changes in the General Fund Balance

The General Fund is the chief operating fund of the City and the following table presents the detailed revenues, program expenditures, other financing sources and uses, and the net change in Fund Balance for fiscal year 2014-2015 compared to the previous fiscal year.

GENERAL FUND REVENUE AND EXPENDITURE COMPARISON June 30, 2015				
	General Fund		Dollar Variance	Percentage Variance
	2014	2015		
<b>REVENUES</b>				
Property Taxes	9,504,189	10,225,409	721,220	7.59%
Sales Tax	2,269,198	2,709,549	440,351	19.41%
Transient Occupancy Tax	6,136,979	7,467,020	1,330,041	21.67%
Franchise Taxes	1,172,386	1,029,029	(143,357)	-12.23%
Other Taxes	286,272	291,905	5,633	1.97%
Licenses and Permits	806,932	985,255	178,323	22.10%
Charges for Service	788,652	819,994	31,342	3.97%
Fines and Forfeitures	1,261,992	1,617,264	355,272	28.15%
Use of Money and Property	714,480	446,731	(267,749)	-37.47%
Grants and Intergovernmental	223,924	368,870	144,946	64.73%
Miscellaneous	391,028	331,841	(59,187)	-15.14%
<b>TOTAL REVENUES</b>	<b>23,556,032</b>	<b>26,292,867</b>	<b>2,736,835</b>	<b>11.62%</b>
<b>EXPENDITURES</b>				
General Government	2,659,058	3,079,194	420,136	15.80%
Public Safety	10,125,169	11,064,044	938,875	9.27%
Highway and Streets	834,709	1,019,109	184,400	22.09%
Culture and Recreation	1,857	4,536	2,679	144.26%
Community Development	2,461,470	2,446,410	(15,060)	-0.61%
Capital Outlay	82,112	588,169	506,057	616.30%
<b>TOTAL EXPENDITURES</b>	<b>16,164,375</b>	<b>18,201,462</b>	<b>2,037,087</b>	<b>12.60%</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In		573,709	573,709	
Transfers Out	(2,976,112)	(6,148,237)	(3,172,125)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,976,112)</b>	<b>(5,574,528)</b>	<b>(2,598,416)</b>	
<b>NET CHANGE / FUND BALANCE</b>	<b>4,415,545</b>	<b>2,516,877</b>		
<b>BEGINNING FUND BALANCE</b>	<b>10,560,400</b>	<b>14,975,945</b>		
<b>ENDING FUND BALANCE</b>	<b>14,975,945</b>	<b>17,492,822</b>		

The General Fund had an ending Fund Balance of nearly \$17.5 million, which reflects an increase of approximately \$2.5 million from the prior year. The increase is attributable to revenue growth and cost control measures in place.

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

**GENERAL FUND EXPENDITURES  
FUND BALANCE COMPARISON**

	2014	2015
<b>Fund Balance Classification</b>		
Nonspendable	672,576	932,312
Assigned: OPEB	-	-
Assigned: Encumbrances	236,452	308,378
Assigned: Unforeseen Events / Economic Downturn	3,970,000	4,029,987
Unassigned	10,096,917	12,222,145
<b>Total Fund Balance</b>	<b>14,975,945</b>	<b>17,492,822</b>
<hr/>		
Expenditures	16,164,375	18,201,462
Total Fund Balance	14,975,945	17,492,822
<b>PERCENTAGE</b>	<b>92.65%</b>	<b>96.11%</b>
<hr/>		
Expenditures	16,164,375	18,201,462
Unassigned Fund Balance	10,096,917	12,222,145
<b>PERCENTAGE</b>	<b>62.46%</b>	<b>67.15%</b>

The City Council previously approved the creation of an OPEB Internal Services Fund to account for the activities associated with post-employment benefit obligations other than pensions. The Assigned Fund Balance for the pre-funding of the OPEB liability in the amount of \$2.2M was transferred to that fund with an additional \$3.9M added during the 2014-15 fiscal year that is net of \$1M transferred to the Fire OPEB for the transferred Fire employees. The City has also assigned reserves of approximately \$4M for unforeseen events and any possible future economic downturn that is equivalent to 15% of the subsequent year's budgeted General Fund expenditures.

The unassigned General Fund Balance increased from approximately \$10M to approximately \$12.2M. Unassigned General Fund reserves now equate to 67% of annual expenditures compared to 62% from the prior year. These unassigned funds may be used for future capital improvement projects or other service level enhancements based upon policy established by the City Council.

**General Fund Budgetary Revenue and Expenditure Changes**

Actual revenues exceeded budgeted revenues by \$3.3 million (or 14% higher than budget) in fiscal year 2014-2015 due to greater than forecasted property tax revenues, sales tax revenues, and transient occupancy tax revenues. Actual expenditures were \$5.2M (or 22%) less than budget due to cost savings measures applied in general government activities and capital outlay purchased or constructed than budgeted.

## **Proprietary Funds**

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

The following table shows actual revenues, expenses and results of operations for the fiscal year 2014-2015.

<b>PROPRIETARY FUNDS</b>						
<b>June 30, 2015</b>						
	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income (Loss)</b>	<b>Non-Operating Revenues (Expenses)</b>	<b>Transfers In (Out)</b>	<b>Change In Net Position</b>
Municipal Water System	6,172,844	6,670,158	(497,314)	52,825	(218,056)	(662,545)
Wastewater Fund	8,396,581	6,995,277	1,401,304	(842,160)	(431,954)	127,190
Storm Drains	364,536	434,008	(69,472)	800	247,454	178,782
Internal Service Funds	1,865,548	2,039,341	(173,793)	78,244	5,561,734	5,466,185
<b>TOTAL</b>	<b>16,799,509</b>	<b>16,138,784</b>	<b>660,725</b>	<b>(710,291)</b>	<b>5,159,178</b>	<b>5,109,612</b>

The total net position for the Municipal Water System was \$11.2 million, an decrease of \$662,000 (5.5%) from the prior year balance of \$11.9 million; Wastewater Treatment total net position was \$11.6 million, an increase of \$127,000 (1.1%) over the prior year balance of \$11.5 million; Storm Drains total net position was \$349,000, an increase of 179,000 (100%) over the prior year balance of \$170,000; and the Internal Service Funds total net position was \$9 million, an increase of \$5.5 million (155%) over the prior year balance of \$3.5 million, the significant increase of which was due primarily to the transfer of \$3.9 million from the General Fund in the OPEB Internal Services Fund as mentioned earlier.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

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

<b>CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION</b>						
<b>June 30, 2015</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
Land	14,298,260	14,298,260	1,601,270	1,601,270	15,899,530	15,899,530
Construction in Progress	-	-	-	1,340,412	-	1,340,412
Building and Improvements	15,299,483	14,974,698	35,500,009	34,726,322	50,799,492	49,701,020
Furniture, Fixtures and Equipment	1,846,686	1,893,825	4,692,405	4,267,021	6,539,091	6,160,846
Automobiles and Trucks	802,052	812,198	5,325	2,842	807,377	815,040
Infrastructure	24,653,755	23,987,060	8,620,417	9,097,245	33,274,172	33,084,305
<b>TOTAL</b>	<b>56,900,236</b>	<b>55,966,041</b>	<b>50,419,426</b>	<b>51,035,112</b>	<b>107,319,662</b>	<b>107,001,153</b>

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2015, decreased by \$318,509 (0.3%) to \$107 million (net of accumulated depreciation), due primarily to the depreciation of the Wastewater Treatment Plant renovation and modernization project that was completed in the prior year.

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

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

Additional information on the City's Capital Assets can be found in Note 5 of this report.

### **Debt Administration**

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

The following table summarizes the City's outstanding long-term debt at June 30, 2015 in comparison to the prior year.

#### **LONG-TERM LIABILITIES**

		<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
		<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
2001	General Obligation Bonds: Public Library	-	-			-	-
2004	Pension Obligation Bonds	14,957,390	14,950,473			14,957,390	14,950,473
2011	Loan - Refinance 1999 Certificates of Participation	2,097,000	1,923,000			2,097,000	1,923,000
2013	General Obligation Refunding Bonds	9,980,175	9,791,255			9,980,175	9,791,255
2009 A	Certificate of Participation: Wastewater Plant			5,560,000	5,560,000	5,560,000	5,560,000
2009 B	Certificate of Participation: Wastewater Plant			6,816,082	6,655,738	6,816,082	6,655,738
2009	State Water Resource Board: Wastewater Plant			25,982,472	24,657,832	25,982,472	24,657,832
<b>TOTAL</b>		<b>27,034,565</b>	<b>26,664,728</b>	<b>38,358,554</b>	<b>36,873,570</b>	<b>65,393,119</b>	<b>63,538,298</b>

As of June 30, 2015, Governmental Activities outstanding long-term debt was \$26.7 million and for Business-type Activities was \$36.9 million, for a combined total of \$63.5 million. Additional information about the City's long-term obligations can be found in Note 7 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City's financial status and budget outlook are continuously monitored. The San Francisco Bay Area and Peninsula economies show improvement in the technology and biotechnology sectors as well as other areas such as general retail, solar, and electric automobile manufacturing. City finances continue to face challenges such as:

- Rising Labor, Health Care, and Pension costs;
- Aging infrastructure capital needs; and
- Funding benefit obligations for pension and OPEB liabilities.

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

## **REQUESTS FOR INFORMATION**

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

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

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

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# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Millbrae**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 41,321,082	\$ 13,488,998	\$ 54,810,080
Cash with fiscal agent	159	1,255,750	1,255,909
Receivables:			
Taxes	1,328,703	-	1,328,703
Accounts - net	123,493	3,039,837	3,163,330
Accrued interest	54,735	-	54,735
Due from other governmental agencies	264,491	-	264,491
Internal balances	(118,138)	118,138	-
Prepaid items	932,312	-	932,312
Total current assets	43,906,837	17,902,723	61,809,560
Noncurrent assets:			
Land held for resale	587,223	-	587,223
Loans and notes receivable	11,682,198	-	11,682,198
Capital assets:			
Non-depreciable	14,298,260	2,948,056	17,246,316
Depreciable, net	41,667,781	48,087,056	89,754,837
Total capital asset	55,966,041	51,035,112	107,001,153
Total noncurrent assets	68,235,462	51,035,112	119,270,574
<b>Total assets</b>	<b>112,142,299</b>	<b>68,937,835</b>	<b>181,080,134</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer pension contributions	1,054,935	344,609	1,399,544
Deferred outflows of resources - pension	693,168	126,152	819,320
<b>Total deferred outflows of resources</b>	<b>1,748,103</b>	<b>470,761</b>	<b>2,218,864</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,285,853	854,633	2,140,486
Interest payable	194,633	205,820	400,453
Deposits payable	587,303	493,381	1,080,684
Unearned revenue	313,267	-	313,267
Compensated absences - due within one year	80,887	53,399	134,286
Accrued self-insurance - due within one year	523,170	-	523,170
Long-term debt - due within one year	1,360,000	1,502,886	2,862,886
Total current liabilities	4,345,113	3,110,119	7,455,232
Noncurrent liabilities:			
Compensated absences - due in more than one year	724,235	480,180	1,204,415
Accrued self-insurance - due in more than one year	1,569,503	18,625	1,588,128
Net OPEB obligation	4,095,033	-	4,095,033
Net pension liability	23,366,601	5,622,700	28,989,301
Long-term debt - due in more than one year	25,304,728	35,370,684	60,675,412
Total noncurrent liabilities	55,060,100	41,492,189	96,552,289
<b>Total liabilities</b>	<b>59,405,213</b>	<b>44,602,308</b>	<b>104,007,521</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	7,525,701	1,495,736	9,021,437
<b>Total deferred inflows of resources</b>	<b>7,525,701</b>	<b>1,495,736</b>	<b>9,021,437</b>
<b>NET POSITION</b>			
Net investment in capital assets	46,174,786	14,161,542	60,336,328
Restricted for:			
Debt service	981,834	-	981,834
Gas tax	1,637,036	-	1,637,036
Developer fee (Millbrae station area development projects)	3,217,488	-	3,217,488
Housing activities	12,413,931	-	12,413,931
Other special programs	4,881,907	-	4,881,907
Measure A	2,295,915	-	2,295,915
Total restricted	25,428,111	-	25,428,111
Unrestricted	(24,643,409)	9,149,010	(15,494,399)
<b>Total net position</b>	<b>\$ 46,959,488</b>	<b>\$ 23,310,552</b>	<b>\$ 70,270,040</b>

See accompanying Notes to Basic Financial Statements.

**City of Millbrae**  
**Statement of Activities**  
**For the year ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 3,428,522	\$ 2,244,808	\$ 40,693	\$ -	\$ 2,285,501
Public safety	11,649,676	1,895,490	137,928	-	2,033,418
Highway and streets	3,023,862	459,384	754,610	-	1,213,994
Culture and recreation	1,156,981	928,005	79,884	-	1,007,889
Community Development	4,333,808	2,031,699	-	-	2,031,699
Interest on long-term debt	1,431,115	-	-	-	-
Total governmental activities	25,023,964	7,559,386	1,013,115	-	8,572,501
Business-type activities:					
Municipal water system	6,686,084	6,192,533	33,136	-	6,225,669
Municipal waste water treatment facility	7,874,433	8,413,668	-	-	8,413,668
Storm drain	438,147	365,493	-	-	365,493
Total business-type activities	14,998,664	14,971,694	33,136	-	15,004,830
Total primary government	\$ 40,022,628	\$ 22,531,080	\$ 1,046,251	\$ -	\$ 23,577,331

**General Revenues:**

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise tax

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		
Governmental Activities	Business-Type Activities	Total
\$ (1,143,021)	\$ -	\$ -
(9,616,258)	-	-
(1,809,868)	-	-
(149,092)	-	-
(2,302,109)	-	-
(1,431,115)	-	-
(16,451,463)	-	-
-	(460,415)	(460,415)
-	539,235	539,235
-	(72,654)	(72,654)
-	6,166	6,166
(16,451,463)	6,166	(16,445,297)
10,839,730	-	10,839,730
2,709,549	-	2,709,549
7,467,020	-	7,467,020
1,029,029	-	1,029,029
823,823	-	823,823
369,939	-	369,939
23,239,090	-	23,239,090
298,921	-	298,921
402,556	(402,556)	-
23,940,567	(402,556)	23,538,011
7,489,104	(396,390)	7,092,714
39,470,384	23,706,942	63,177,326
\$ 46,959,488	\$ 23,310,552	\$ 70,270,040

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# FUND FINANCIAL STATEMENTS

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*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, 2015**

	Major Funds			
	General	Low and Moderate Income Housing Asset Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 16,059,130	\$ 169,110	\$ 13,864,379	\$ 30,092,619
Cash with fiscal agent	-	-	159	159
Receivables:				
Taxes	1,278,927	-	49,776	1,328,703
Accounts - net	49,014	-	60,000	109,014
Accrued interest	54,735	-	-	54,735
Due from other governmental agencies	224,149	-	40,342	264,491
Loans	-	11,682,198	-	11,682,198
Due from other funds	137,554	-	-	137,554
Prepaid items	932,312	-	-	932,312
Land held for resale	-	587,223	-	587,223
<b>Total assets</b>	<b>\$ 18,735,821</b>	<b>\$ 12,438,531</b>	<b>\$ 14,014,656</b>	<b>\$ 45,189,008</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued payroll	\$ 897,033	\$ 24,600	\$ 308,318	\$ 1,229,951
Deposits	141,544	-	445,759	587,303
Due to other funds	-	-	137,554	137,554
Unearned revenue	204,422	-	108,845	313,267
<b>Total liabilities</b>	<b>1,242,999</b>	<b>24,600</b>	<b>1,000,476</b>	<b>2,268,075</b>
<b>Fund Balances:</b>				
Nonspendable	932,312	-	-	932,312
Restricted	-	12,413,931	13,247,625	25,661,556
Assigned	308,378	-	-	308,378
Unassigned	16,252,132	-	(233,445)	16,018,687
<b>Total fund balances</b>	<b>17,492,822</b>	<b>12,413,931</b>	<b>13,014,180</b>	<b>42,920,933</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,735,821</b>	<b>\$ 12,438,531</b>	<b>\$ 14,014,656</b>	<b>\$ 45,189,008</b>

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, 2015

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 42,920,933</b>
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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)	14,298,260
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Depreciable, net of accumulated depreciation (and net of internal service fund capital assets of \$998,426)	40,669,355
---	------------

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.	(194,633)
--	-----------

Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds	(4,095,033)
--	-------------

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	1,038,846
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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.	(6,768,591)
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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	(1,360,000)
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Long-term liabilities - due in more than one year:

Net pension liability	(23,104,092)
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Long-term debt	(25,304,728)
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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.

	8,859,171
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<b>Net Position of Governmental Activities</b>	<b>\$ 46,959,488</b>
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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, 2015**

	Major Funds			
	General Fund	Low and Moderate Income Housing Asset Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property tax	\$ 10,225,409	\$ -	\$ 614,321	\$ 10,839,730
Sales tax	2,709,549	-	-	2,709,549
Transient occupancy tax	7,467,020	-	-	7,467,020
Franchise Tax	1,029,029	-	-	1,029,029
Other taxes	291,905	-	531,918	823,823
Licenses and permits	819,994	-	44,945	864,939
Charges for services	1,617,264	-	2,225,035	3,842,299
Fines and forfeitures	446,731	17,384	-	464,115
Use of money and property	985,255	-	292,555	1,277,810
Grants and intergovernmental	368,870	-	1,804,410	2,173,280
Miscellaneous	331,841	782	251,758	584,381
<b>Total revenues</b>	<b>26,292,867</b>	<b>18,166</b>	<b>5,764,942</b>	<b>32,075,975</b>
<b>EXPENDITURES:</b>				
Current:				
General government	3,079,194	-	-	3,079,194
Public safety	11,064,044	-	275,718	11,339,762
Highways and streets	1,019,109	-	752,043	1,771,152
Culture and recreation	4,536	-	1,117,838	1,122,374
Community development	2,446,410	51,926	1,399,535	3,897,871
Capital outlay	588,169	-	445,905	1,034,074
Debt service:				
Principal	-	-	1,304,000	1,304,000
Interest, and fiscal charges	-	-	500,834	500,834
<b>Total expenditures</b>	<b>18,201,462</b>	<b>51,926</b>	<b>5,795,873</b>	<b>24,049,261</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,091,405</b>	<b>(33,760)</b>	<b>(30,931)</b>	<b>8,026,714</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	573,709	-	1,181,641	1,755,350
Transfers out	(6,148,237)	-	(766,291)	(6,914,528)
<b>Total other financing sources (uses)</b>	<b>(5,574,528)</b>	<b>-</b>	<b>415,350</b>	<b>(5,159,178)</b>
<b>Net change in fund balances</b>	<b>2,516,877</b>	<b>(33,760)</b>	<b>384,419</b>	<b>2,867,536</b>
<b>FUND BALANCES:</b>				
Beginning of year, as restated	14,975,945	12,447,691	12,629,761	40,053,397
End of year	<u>\$ 17,492,822</u>	<u>\$ 12,413,931</u>	<u>\$ 13,014,180</u>	<u>\$ 42,920,933</u>

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, 2015

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 2,867,536</b>
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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 \$228,046 capital asset additions recorded in the internal service funds.	618,590
--	---------

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 \$225,784 that was recorded in the internal service funds.	(1,486,311)
---	-------------

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.	1,038,846
---	-----------

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(1,168,070)
--	-------------

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	(252,000)
-------------------------------	-----------

Unpaid interest added to long-term debt	(953,083)
---	-----------

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	1,304,000
---------------------------	-----------

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.	18,920
--	--------

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.	(9,207)
--	---------

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.	3,882
--	-------

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.	5,506,001
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ 7,489,104</b>
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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, 2015**

	Business-Type Activities Enterprise Funds				Governmental Activities - Internal Service Funds
	Municipal Water System	Municipal Wastewater Fund	Non-major Storm Drain	Total	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 5,678,179	\$ 7,590,077	\$ 220,742	\$ 13,488,998	\$ 11,228,463
Cash with fiscal agents	-	1,255,750	-	1,255,750	-
Receivables:					
Accounts - net	1,244,081	1,795,756	-	3,039,837	14,479
Total current assets	6,922,260	10,641,583	220,742	17,784,585	11,242,942
Noncurrent assets:					
Capital assets:					
Non-depreciable capital assets	100,770	2,847,286	-	2,948,056	-
Depreciable capital assets, net	7,470,928	40,192,328	423,800	48,087,056	998,426
Total capital assets	7,571,698	43,039,614	423,800	51,035,112	998,426
Total noncurrent assets	7,571,698	43,039,614	423,800	51,035,112	998,426
<b>Total assets</b>	<b>14,493,958</b>	<b>53,681,197</b>	<b>644,542</b>	<b>68,819,697</b>	<b>12,241,368</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred employer pension contributions	112,877	218,306	13,426	344,609	16,089
Pension related amounts	41,321	79,916	4,915	126,152	5,889
<b>Total deferred outflows of resources</b>	<b>154,198</b>	<b>298,222</b>	<b>18,341</b>	<b>470,761</b>	<b>21,978</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued payroll	\$ 413,117	\$ 412,237	\$ 29,279	\$ 854,633	\$ 55,902
Interest payable	-	205,820	-	205,820	-
Deposits	458,565	34,816	-	493,381	-
Compensated absences - due within one year	21,740	30,957	702	53,399	80,887
Accrued self insurance - due within one year	-	-	-	-	523,170
Long-term debt - due within one year	-	1,502,886	-	1,502,886	-
Total current liabilities	893,422	2,186,716	29,981	3,110,119	659,959
Noncurrent liabilities:					
Compensated absences - due in more than one year	195,661	278,198	6,321	480,180	724,235
Accrued self-insurance - due in more than one year	-	18,625	-	18,625	1,569,503
Net pension liability	1,841,728	3,561,909	219,063	5,622,700	262,509
Long-term debt - due in more than one year	-	35,370,684	-	35,370,684	-
Total noncurrent liabilities	2,037,389	39,229,416	225,384	41,492,189	2,556,247
<b>Total liabilities</b>	<b>2,930,811</b>	<b>41,416,132</b>	<b>255,365</b>	<b>44,602,308</b>	<b>3,216,206</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related amounts	489,931	947,531	58,274	1,495,736	69,831
<b>Total deferred inflows of resources</b>	<b>489,931</b>	<b>947,531</b>	<b>58,274</b>	<b>1,495,736</b>	<b>69,831</b>
<b>NET POSITION</b>					
Net investment in capital assets	7,571,698	6,166,044	423,800	14,161,542	998,426
Unrestricted	3,655,716	5,449,712	(74,556)	9,030,872	7,978,883
<b>Total net position</b>	<b>\$ 11,227,414</b>	<b>\$ 11,615,756</b>	<b>\$ 349,244</b>	<b>23,192,414</b>	<b>\$ 8,977,309</b>

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

\$ 118,138  
\$ 23,310,552

Net position business-type activities

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, 2015

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Fund
	Municipal Water System	Municipal Wastewater Fund	Non-Major Storm Drain	Total	
<b>OPERATING REVENUES:</b>					
Water Sales	\$ 6,149,338	\$ -	\$ -	\$ 6,149,338	\$ -
Sewer service fees	-	8,368,359	-	8,368,359	-
Equipment rental	-	-	-	-	605,720
Interdepartmental charges	-	-	-	-	1,175,297
Storm drain fees	-	-	364,536	364,536	-
Miscellaneous	23,506	28,222	-	51,728	84,531
<b>Total operating revenues</b>	<b>6,172,844</b>	<b>8,396,581</b>	<b>364,536</b>	<b>14,933,961</b>	<b>1,865,548</b>
<b>OPERATING EXPENSES:</b>					
Personnel services	1,768,875	3,118,146	205,423	5,092,444	1,262,786
Contractual services	676,705	1,193,732	170,112	2,040,549	189,097
Materials, supplies and other services	340,025	777,222	4,700	1,121,947	92,742
Water purchases	3,482,179	-	-	3,482,179	-
Depreciation	268,593	1,489,805	40,857	1,799,255	225,785
Utilities	36,180	303,683	5,345	345,208	-
Insurance premiums and claims	97,601	112,689	7,571	217,861	268,931
<b>Total operating expenses</b>	<b>6,670,158</b>	<b>6,995,277</b>	<b>434,008</b>	<b>14,099,443</b>	<b>2,039,341</b>
<b>OPERATING INCOME</b>	<b>(497,314)</b>	<b>1,401,304</b>	<b>(69,472)</b>	<b>834,518</b>	<b>(173,793)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest revenue	19,689	17,087	957	37,733	34,537
Interest expense and fiscal charges	-	(859,247)	-	(859,247)	-
Gain (loss) on sale	-	-	(157)	(157)	43,707
Grants	33,136	-	-	33,136	-
<b>Total nonoperating revenues (expenses)</b>	<b>52,825</b>	<b>(842,160)</b>	<b>800</b>	<b>(788,535)</b>	<b>78,244</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(444,489)</b>	<b>559,144</b>	<b>(68,672)</b>	<b>45,983</b>	<b>(95,549)</b>
Transfers in	-	-	276,762	276,762	5,603,538
Transfers out	(218,056)	(431,954)	(29,308)	(679,318)	(41,804)
<b>Total transfers</b>	<b>(218,056)</b>	<b>(431,954)</b>	<b>247,454</b>	<b>(402,556)</b>	<b>5,561,734</b>
<b>Change in net position</b>	<b>(662,545)</b>	<b>127,190</b>	<b>178,782</b>	<b>(356,573)</b>	<b>5,466,185</b>
<b>NET POSITION</b>					
Beginning of year, as restated	11,889,959	11,488,566	170,462		3,511,124
End of year	<u>\$ 11,227,414</u>	<u>\$ 11,615,756</u>	<u>\$ 349,244</u>		<u>\$ 8,977,309</u>

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

(39,817)

Change in net position of business-type activities

\$ (396,390)

See accompanying Notes to Basic Financial Statements.

**City of Millbrae**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2015**

	Business-type Activities-Enterprise Fun		
	Municipal Water System	Municipal Wastewater Fund	Non-Major Storm Drain
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from others	\$ -	\$ -	\$ -
Receipts from customers	6,530,416	8,494,229	364,536
Payments to suppliers	(4,430,078)	(2,212,443)	(260,508)
Payments to employees	(1,736,199)	(3,112,799)	(221,982)
Claims paid	(97,601)	(112,689)	(7,571)
<b>Cash Flows from Operating Activities</b>	<b>266,538</b>	<b>3,056,298</b>	<b>(125,525)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash receipts from operating grants	33,136	-	-
Transfers in	-	-	276,762
Transfers out	(218,056)	(431,954)	(29,308)
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(184,920)</b>	<b>(431,954)</b>	<b>247,454</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets, net	(267,612)	(2,079,788)	(69,201)
Proceeds from sale of capital assets	-	-	1,503
Principal payments on capital debt	-	(1,484,984)	-
Interest paid	-	(866,974)	-
<b>Cash Flows from Noncapital Financing Activities</b>	<b>(267,612)</b>	<b>(4,431,746)</b>	<b>(67,698)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>FINANCING ACTIVITIES</b>			
Interest	19,689	24,760	957
<b>Cash Flows from Noncapital Financing Activities</b>	<b>19,689</b>	<b>24,760</b>	<b>957</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(166,305)</b>	<b>(1,782,642)</b>	<b>55,188</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>5,844,484</b>	<b>10,628,469</b>	<b>165,554</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 5,678,179</b>	<b>\$ 8,845,827</b>	<b>\$ 220,742</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>			
Cash and investments	\$ 5,678,179	\$ 7,590,077	\$ 220,742
Cash with fiscal agents	-	1,255,750	-
<b>Total</b>	<b>\$ 5,678,179</b>	<b>\$ 8,845,827</b>	<b>\$ 220,742</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ (497,314)	\$ 1,401,304	\$ (69,472)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	268,593	1,489,805	40,857
Changes in assets and liabilities:			
Accounts receivable	357,572	97,648	-
Deferred outflows - pension	(49,036)	(94,840)	(5,832)
Accounts payable and accrued payroll	97,752	61,152	19,649
Deposits payable	7,259	1,042	(100,000)
Compensated absences	41,357	22,138	(15,526)
Accrued self-insurance	-	-	-
Net pension liability	(449,576)	(869,482)	(53,475)
Deferred inflows - pension	489,931	947,531	58,274
<b>Total adjustments</b>	<b>763,852</b>	<b>1,654,994</b>	<b>(56,053)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 266,538</b>	<b>\$ 3,056,298</b>	<b>\$ (125,525)</b>

See accompanying Notes to Basic Financial Statements.

ids	Governmental
	Activities-
Total	Internal Service
	Fund
\$ -	\$ 84,531
15,389,181	1,766,538
(6,903,029)	(271,176)
(5,070,980)	(1,597,274)
(217,861)	(839,333)
3,197,311	(856,714)
33,136	-
276,762	5,603,538
(679,318)	(41,804)
(369,420)	5,561,734
(2,416,601)	(228,046)
1,503	112,443
(1,484,984)	-
(866,974)	-
(4,767,056)	(115,603)
45,406	34,537
45,406	34,537
(1,893,759)	4,623,954
16,638,507	6,604,509
\$ 14,744,748	\$ 11,228,463
\$ 13,488,998	\$ 11,228,463
1,255,750	-
\$ 14,744,748	\$ 11,228,463
\$ 834,518	\$ (173,793)
1,799,255	225,785
455,220	(14,479)
(149,708)	(6,988)
178,553	10,663
(91,699)	-
47,969	(333,251)
-	(570,402)
(1,372,533)	(64,080)
1,495,736	69,831
2,362,793	(682,921)
\$ 3,197,311	\$ (856,714)

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## 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, 2015**

	Successor Agency to the Redevelopment Agency Private- Trust Fund
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 630,515
Cash with fiscal agents	545,620
Receivables:	
Accounts receivable - net	4,280
Property held for resale	1,324,591
Capital assets:	
Depreciable capital assets, net	397,734
<b>Total assets</b>	<b>\$ 2,902,740</b>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Current liabilities	
Accounts payable	\$ 875
Deposits	8,560
Long-term debt	
Portion due within one year	210,000
Portion due in more than one year	6,995,000
<b>Total liabilities</b>	<b>7,214,435</b>
<b>NET POSITION</b>	
Held in trust for other purposes	(4,311,695)
<b>Total net position</b>	<b>\$ (4,311,695)</b>

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, 2015**

	Successor Agency to the Redevelopment Agency Private- Trust Fund
<b>ADDITIONS:</b>	
Property Tax	\$ 730,371
Use of money and property	53,036
Miscellaneous	1,678
<b>Total additions</b>	<b>785,085</b>
<b>DEDUCTIONS:</b>	
Community Development	377,118
Depreciation	15,357
Interest and fiscal charges	191,000
<b>Total deductions</b>	<b>583,475</b>
<b>Change in net position</b>	<b>201,610</b>
<b>NET POSITION:</b>	
Beginning of year	(4,513,305)
End of year	\$ (4,311,695)

See accompanying Notes to Basic Financial Statements.

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**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, 2015**

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**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, 2015**

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**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, 2015**

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**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 two types of fiduciary funds, an agency fund and a private-purpose trust fund. Agency funds are used to account for the assets held for distribution by the City as an agent for another entity for which the City has custodial responsibility and accounts for the flow of assets. 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, 2015**

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**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, 2015**

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***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, 2015**

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**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 countries, 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, 2015**

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**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 a deferred charge on refunding debt and deferred employer pension contributions in this category in the government-wide and enterprise statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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, 2015**

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**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, 2015**

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**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) plans (Plans) and additions to/deductions from the Plans' 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 2015, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* – This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The City restated beginning net position as part of implementation of this statement.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.

The following are the major impacts:

- This Statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (**net pension liability**) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (**total pension liability**), less the amount of the pension plan's **fiduciary net position**.



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*R. New Pronouncements, Continued*

- The actuarial present value of projected benefit payments is required to be attributed to period of employee service using the entry age actuarial cost method with each period's service cost determined as a level percentage of pay. The actuarial present value is required to be attributed for each employee individually, from the period when the employee first accrues pensions through the period when the employee retires.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* – This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no effect on net position as part of implementation of this standard.
- GASB Statement No. 71, *Pension Transition for the Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68* – The objective of this statement is to address an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue related to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City restated beginning net position as part of implementation of this 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, 2015:

	Government-Wide Statement of Net Position			
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash and Investments	\$ 41,321,082	\$ 13,488,998	\$ 630,515	\$ 55,440,595
Cash with Fiscal Agent	159	1,255,750	545,620	1,801,529
<b>Total cash and investments</b>	<b>\$ 41,321,241</b>	<b>\$ 14,744,748</b>	<b>\$ 1,176,135</b>	<b>\$ 57,242,124</b>



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**2. CASH AND INVESTMENTS, Continued**

***A. Summary of Cash and Investment, Continued***

Cash and investments as of June 30, 2015 consist of the following:

Cash on hand	\$ 1,130
Deposits with financial institution	<u>4,355,023</u>
Total cash on hand and deposits	<u>4,356,153</u>
Local Agency Investment funds	4,106,264
San Mateo County Pool	31,762,266
Investments	<u>15,215,912</u>
Total investments	<u>51,084,442</u>
<b>Total City Treasury</b>	<u>55,440,595</u>
Cash with fiscal agent	<u>1,801,529</u>
<b>Total cash and investments</b>	<u><u>\$ 57,242,124</u></u>

***B. Deposits***

The carrying amount of the City's cash deposit was \$4,355,023 at June 30, 2015. Bank balances before reconciling items were a positive amount of \$4,084,703 at June 30, 2015. 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, 2015**

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**2. CASH AND INVESTMENTS, Continued**

**C. Investments**

**1. 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, 2015**

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**2. CASH AND INVESTMENTS, Continued**

*C. Investments, Continued*

**1. 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, 2015.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**2. CASH AND INVESTMENTS, Continued**

*C. Investments, Continued*

**2. 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
		Two highest rating category
Local Agency Municipal Bonds	N/A	
U.S. Treasury Obligations	N/A	N/A
State of California Obligations	N/A	A2/A
California Local Agency Obligations	N/A	N/A
Derivatives	N/A	N/A
Bankers' Acceptances	1 year	A1
Commercial Paper	270 days	A1
Medium Term Notes	N/A	A
Short-Term Certificates of Deposit	1 year	A-1
Repurchase Agreements	30 days	A
Money Market Mutual Funds	N/A	AA-M
Collateralized Bank Deposits	N/A	N/A
California Local Agency Investment Fund	N/A	N/A
Unsecured CD's, deposit accounts, time deposits, bankers acceptances	30 days	A-1
Special Revenue Bonds	N/A	AA

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, 2015**

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**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, 2015, 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, 2015, the City had \$ 4,106,264 invested in LAIF, which had invested 2.08% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 1.86% in the previous year. The LAIF fair value factor of 1.000375979 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool's investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor of 0.99990 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, 2015**

**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	\$ 4,106,265	\$ -	\$ -	\$ 4,106,265
San Mateo County Investment Fund	31,762,267	-	-	31,762,267
Negotiable or Non-Negotiable				
Certificates of Deposit	-	203,304	-	203,304
Money Market Funds	1,657,922	-	-	1,657,922
U.S. Government Agency Obligation				-
Callable	-	1,393,116	10,508,543	11,901,659
Medium Term Notes				
Non-Callable	853,290	180,050	419,685	1,453,025
<b>Total Investments</b>	<b>\$ 38,379,744</b>	<b>\$ 1,776,470</b>	<b>\$ 10,928,228</b>	<b>\$ 51,084,442</b>

*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, 2015 for each investment type:

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

***D. Risk Disclosures, Continued***

Investment Type	AAAm	AAA	AA+	A+	A-	Total
Money Market Funds	\$ 1,657,922	\$ -	\$ -	\$ -	\$ -	\$ 1,657,922
U.S. Government Agency Obligation						
Non Callable	-	-	11,901,659	-	-	11,901,659
Municipal Bonds						-
Medium Term Notes						
Non Callable	-	89,880	180,050	329,805	853,290	1,453,025
	<u>\$ 1,657,922</u>	<u>\$ 89,880</u>	<u>\$ 12,081,709</u>	<u>\$ 329,805</u>	<u>\$ 853,290</u>	<u>15,012,606</u>
<i>Not rated:</i>						
Local Agency Investment Fund						4,106,265
San Mateo County Investment Fund						31,762,267
Negotiable or Non-Negotiable						
Certificates of deposit						203,304
Total Investments						<u>\$ 51,084,442</u>

*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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**2. CASH AND INVESTMENTS, Continued**

***D. Risk Disclosures, Continued***

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

Reporting Unit	Issuer	Investment Type	Reported Amount
<b>Major Fund:</b>			
General Fund	American Express	Medium Term Notes	\$ 853,290
	Apple	Medium Term Notes	180,050
	Bank of New York Mellon Corp	Medium Term Notes	329,805
	Federal Home Loan Banks	United States Government Agency Obligations	3,389,392
	Federal Home Loan Mortgage Corporation	United States Government Agency Obligations	3,364,365
	Federal National Mortgage Association	United States Government Agency Obligations	1,689,593
	International Bank for Reconstruction and Development	Medium Term Notes	89,880
		Total:	<u>\$ 9,896,375</u>

**3. INTERFUND TRANSACTIONS**

***A. Due To/From Other Funds***

At June 30, 2015, the City had the following due to/from other funds:

Due To General Fund	Due From Other Funds
Non-Major Governmental Fund	\$ 137,554
Total	<u>\$ 137,554</u>

The amounts due to the General Fund from other funds represent reclassified temporary negative cash balances pending grant reimbursements or other receivables. Current interfund balances arise in the normal course of operations and are expected to be repaid shortly after the end of the fiscal year.



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**3. INTERFUND TRANSACTIONS, Continued**

**B. Transfers**

At June 30, 2015, 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	Storm Drain Enterprise Fund	Internal Service Funds	
General Fund	\$ -	\$ 1,180,641	\$ 276,762	\$ 4,690,834	\$ 6,148,237
Non-major Govtl Funds	573,709	1,000	-	191,582	766,291
Water Enterprise Fund	-	-	-	218,056	218,056
Wastewater Enterprise Fund	-	-	-	431,954	431,954
Storm Drain Enterprise Fund	-	-	-	29,308	29,308
Internal Service Funds	-	-	-	41,804	41,804
Total	<u>\$ 573,709</u>	<u>\$ 1,181,641</u>	<u>\$ 276,762</u>	<u>\$ 5,603,538</u>	<u>\$ 7,635,650</u>

Transfers from General Fund were made to: 1) the Storm Drain Enterprise Fund for administrative and maintenance expenditures of the City's storm drains; 2) the Non-Major Governmental Funds for the debt service payments; and, 3) the Internal Service Funds to begin prefunding of the City's OPEB and workers' compensation liabilities.

**4. LOANS AND NOTES RECEIVABLE**

**A. Government-Wide Financial Statements**

At June 30, 2015, the City's loans and notes receivable totaled \$11,682,198.

**B. Fund Financial Statements**

Loans receivable as of June 30, 2015, composed of the following were held by the City:

	Balance as of June 30, 2015	Balance as of June 30, 2014
Low-and-Moderate First Time Home Buyer Program	\$ 469,477	\$ 479,169
Dolores Lia Apartments Loan	5,700,000	5,500,000
Below Market Rate Loans		
88 South Boradway	4,143,040	3,958,905
1388 Broadway	1,369,681	1,308,806
<b>Total:</b>	<u>\$ 11,682,198</u>	<u>\$ 11,246,880</u>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**4. LOANS AND NOTES RECEIVABLE, Continued**

***A. Fund Financial Statements, 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).

**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, 2015**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

At June 30, 2015, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 14,298,260	\$ 1,601,270	\$ 15,899,530
Construction in progress	-	1,346,786	1,346,786
Total non-depreciable assets	14,298,260	2,948,056	17,246,316
Depreciable assets:			
Buildings and Improvements	21,290,193	39,737,789	61,027,982
Furniture, Fixtures and Equipment	6,242,385	16,641,449	22,883,834
Automobiles and Trucks	2,749,170	39,180	2,788,350
Infrastructure	58,269,942	17,548,632	75,818,574
	88,551,690	73,967,050	162,518,740
Less accumulated depreciation:			
Buildings and improvements	6,315,495	5,011,467	11,326,962
Furniture, Fixtures and Equipment	4,348,560	12,374,428	16,722,988
Automobiles and Trucks	1,936,972	36,338	1,973,310
Infrastructure	34,282,882	8,457,761	42,740,643
Total accumulated depreciation	46,883,909	25,879,994	72,763,903
Total depreciable assets	41,667,781	48,087,056	89,754,837
<b>Total capital assets</b>	<b>\$ 55,966,041</b>	<b>\$ 51,035,112</b>	<b>\$ 107,001,153</b>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**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, 2014	Additions	Adjustments/ Retirements	Transfers	Balance June 30, 2015
<b>Governmental activities</b>					
Non-depreciable assets:					
Land	\$ 14,298,260	\$ -	\$ -	\$ -	\$ 14,298,260
Construction in progress	-	-	-	-	-
Total non-depreciable assets	14,298,260	-	-	-	14,298,260
Depreciable assets:					
Building and Improvements	21,162,656	127,537	-	-	21,290,193
Furniture, Fixtures and Equipment	5,953,349	374,586	(85,551)	-	6,242,384
Automobiles and Trucks	2,931,196	228,046	(410,072)	-	2,749,170
Infrastructure	58,153,475	116,467	-	-	58,269,942
	88,200,676	846,636	(495,623)	-	88,551,689
Less accumulated depreciation:					
Building and Improvements	5,863,173	452,322	-	-	6,315,495
Furniture, Fixtures and Equipment	4,106,663	289,268	(47,372)	-	4,348,559
Automobiles and Trucks	2,129,144	187,343	(379,515)	-	1,936,972
Infrastructure	33,499,720	783,162	-	-	34,282,882
Total accumulated depreciation	45,598,700	1,712,095	(426,887)	-	46,883,908
Total depreciable assets, net	42,601,976	(865,459)	(68,736)	-	41,667,781
<b>Governmental activity capital assets, net</b>	<b>\$ 56,900,236</b>	<b>\$ (865,459)</b>	<b>\$ (68,736)</b>	<b>\$ -</b>	<b>\$ 55,966,041</b>

Depreciation expense by program for capital assets for the year ended June 30, 2015 was as follows:

General Government	\$ 236,884
Public safety	92,545
Highways and Streets	774,772
Culture and Recreation	34,607
Community Development	347,503
Internal Service Funds	225,784
<b>Total Governmental Activities</b>	<b>\$ 1,712,095</b>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**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, 2014	Additions	Retirements	Reclassification	Balance June 30, 2015
Non-depreciable assets:					
Land	\$ 1,601,270	\$ -	\$ -	\$ -	\$ 1,601,270
Construction in progress	-	1,346,786	-	-	1,346,786
Total non-depreciable assets	1,601,270	1,346,786	-	-	2,948,056
Depreciable assets:					
Building and Improvements	39,737,789	-	-	-	39,737,789
Furniture, Fixtures and Equipment	16,279,595	363,514	(1,660)	-	16,641,449
Automobiles and Trucks	47,474	-	(8,294)	-	39,180
Infrastructure	16,218,495	706,301	-	-	16,924,796
Total depreciable assets	72,283,353	1,069,815	(9,954)	-	73,343,214
Less accumulated depreciation:					
Land Improvements					
Building and Improvements	4,237,780	773,687	-	-	5,011,467
Furniture, Fixtures and Equipment	11,587,190	787,238	-	-	12,374,428
Automobiles and Trucks	42,149	2,483	(8,294)	-	36,338
Infrastructure	7,598,078	235,847	-	-	7,833,925
Total accumulated depreciation	23,465,197	1,799,255	(8,294)	-	25,256,158
Total depreciable assets, net	48,818,156	(729,440)	(1,660)	-	48,087,056
<b>Business-type activity capital assets, net</b>	<b>\$ 50,419,426</b>	<b>\$ 617,346</b>	<b>\$ (1,660)</b>	<b>\$ -</b>	<b>\$ 51,035,112</b>

Depreciation expense for the year ended June 30, 2015 was as follows:

Municipal Water System	\$ 268,593
Municipal Wastewater Treatment Facility	1,489,805
Storm Drain	40,857
<b>Total Business-Type Activities</b>	<b>\$ 1,799,255</b>

**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, 2015**

**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, 2015:

	Original Issue Amount	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
<b>2004 Pension Obligation</b>						
<b>Bonds Series A-2</b>						
4.35%-6.58%, due 6/1/2034	\$ 11,521,630	\$ 14,957,390	\$ 953,083	\$ (960,000)	\$ 14,950,473	\$ 995,000
<b>Direct Lender Tax Exempt Loan</b>						
4.25%, due 3/1/2024	2,555,000	2,097,000	-	(174,000)	1,923,000	180,000
<b>2013 General Obligation</b>						
<b>Refunding Bonds</b>						
1%-5%, due 8/1/2037	9,745,000	9,545,000	-	(170,000)	9,375,000	185,000
Premium, net of amortization	454,096	435,175	-	(18,920)	416,255	-
Subtotal Bonds and Loans outstanding		27,034,565	953,083	(1,322,920)	26,664,728	1,360,000
Claims payable		2,663,075	8,240	(578,642)	2,092,673	523,170
Compensated absences		1,138,373	125,171	(458,422)	805,122	80,877
<b>Total Long-Term Debt</b>		<b>\$ 30,836,013</b>	<b>\$ 1,086,494</b>	<b>\$ (2,359,984)</b>	<b>\$ 29,562,523</b>	<b>\$ 1,964,047</b>

**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' unaccreted discount totaled \$995,000 at June 30, 2015. 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, 2015**

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**7. LONG-TERM DEBT, Continued**

***A. Governmental Activities, Continued***

**2012 Direct Lender Tax Exempt Lease – Original Issue \$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 \$2,353,780. Principal and interest paid for the current year was \$263,122.

**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 \$14,788,731. Principal and interest paid for the current year was \$573,438.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**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, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
<b>2009 State Water Resources Board</b>						
Water Pollution Control Plant 1%, due 4/1/2032	\$ 28,397,180	\$ 25,982,472	\$ -	\$ (1,324,640)	\$ 24,657,832	\$ 1,337,886
<b>2009A Water Resources Board</b>						
<b>Certificates of Participation</b>						
7.423%, due 12/1/2039	5,560,000	5,560,000	-	-	5,560,000	-
<b>2009B Wastewater Revenue</b>						
<b>Certificates of Participation</b>						
2.0-5.125%, due 12/1/2034	10,250,000	6,715,000	-	(160,000)	6,555,000	165,000
Premium, net of amortization	123,774	101,082	-	(344)	100,738	-
Subtotal Bonds and Loans Outstanding		38,358,554	-	(1,484,984)	36,873,570	1,502,886
Compensated absences		485,610	74,051	(26,022)	533,639	53,399
<b>Total Long-Term Debt</b>		<b>\$ 38,844,164</b>	<b>\$ 74,051</b>	<b>\$ (1,511,006)</b>	<b>\$ 37,407,209</b>	<b>\$ 1,556,285</b>

**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 \$24,657,832 and \$2,278,061 respectively. Principal and interest paid for the current year was \$1,584,464.

**2009 – Certificates of Participation**

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

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



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**7. LONG-TERM DEBT, Continued**

***B. Business-Type Activities, Continued***

**2009 – Certificates of Participation**

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

***C. Debt 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, 2015 was \$21,355,000.

***D. Compensated Absences***

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

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

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**7. LONG-TERM DEBT, Continued**

***D. Compensated Absences, Continued***

The City accrues the liability for compensated leave as it is earned by employees. The amount of compensated leaves payable outstanding was \$1,338,701 as of June 30, 2015.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
<b>Governmental Activities</b>					
Compensated Leaves Payable	\$ 1,138,373	\$ 125,171	\$ (458,422)	\$ 805,122	\$ 80,887
<b>Business-Type Activities</b>					
Compensated Leaves Payable	\$ 485,610	\$ 74,051	\$ (26,082)	\$ 533,579	\$ 53,399

The amount due within one year of \$80,887 for Governmental Activities and \$53,399 for Business-Type Activities represents the estimated amount for anticipated retirees.

***E. 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
2016	\$ 1,360,000	\$ 988,498	\$ 2,348,498	\$ 1,502,886	\$ 982,278	\$ 2,485,164
2017	1,417,000	1,029,346	2,446,346	1,526,265	962,099	2,488,364
2018	1,477,000	1,070,342	2,547,342	1,544,778	941,487	2,486,265
2019	1,543,000	1,110,125	2,653,125	1,568,425	920,439	2,488,864
2020	1,613,000	1,151,478	2,764,478	1,587,210	897,980	2,485,190
2021-2025	8,943,000	6,275,076	15,218,076	8,317,684	4,117,012	12,434,696
2026-2030	9,995,000	7,302,213	17,297,213	7,538,563	3,601,758	11,140,321
2031-2035	10,370,000	6,775,358	17,145,358	7,627,021	2,926,530	10,553,551
2036-2040	1,475,000	59,700	1,534,700	5,560,000	1,071,139	6,631,139
Subtotal	38,193,000	\$ 25,762,136	\$ 63,955,136	36,772,832	\$ 16,420,722	\$ 53,193,554
Premium	416,255			100,738		
<b>Total</b>	<b>\$ 38,609,255</b>			<b>\$ 36,873,570</b>		

(A) - Includes unaccrued discount totaling \$11,944,527

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**8. FUND BALANCES**

Detailed classifications of the City's fund balances as of June 30, 2015, are below:

Fund Balances Classifications	General Fund	Low and Moderate Income Housing Asset Capital Projects Fund	Other Governmental Fund	Total Government
<b>Nonspendable:</b>				
Prepays	\$ 932,312	\$ -	\$ -	\$ 932,312
Total Nonspendable Fund Balances	932,312	-	-	932,312
<b>Restricted for:</b>				
Low and Moderate Income Housing	-	12,413,931	-	12,413,931
Library Bonds Debt Service	-	-	868,792	868,792
Measure A	-	-	2,295,915	2,295,915
Gas Tax	-	-	1,637,036	1,637,036
Integrated Waste Management	-	-	483,764	483,764
Other	-	-	4,176,392	4,176,392
Sister City	-	-	12,466	12,466
Joint Fire Training	-	-	180,923	180,923
Millbrae Station Area Developer Fee	-	-	3,217,488	3,217,488
1999 COPs Debt Service	-	-	116,354	116,354
Developer Fee Capital Projects	-	-	258,495	258,495
Total Restricted Fund Balances	-	12,413,931	13,247,625	25,661,556
<b>Assigned for:</b>				
Encumbrances	308,378	-	-	308,378
Total Assigned Fund Balances	308,378	-	-	308,378
<b>Unassigned:</b>	16,252,132	-	(233,445)	16,018,687
<b>Total Fund Balances</b>	<b>\$ 17,492,822</b>	<b>\$ 12,413,931</b>	<b>\$ 13,014,180</b>	<b>\$ 42,920,933</b>

**Deficit Fund Balance**

At June 30, 2015, the Special Recreation Fund and 2004 Pension Obligation Bonds have deficit fund balances in the amount of \$230,133 and \$3,312, respectively, which will be eliminated with future revenues.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**9. RETIREMENT BENEFITS**

**A. Plan Description**

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

**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.

The Plans' provisions and benefits in effect at June 30, 2015 are summarized as follows:

	Safety- Police & Fire	Miscellaneous
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2.7%
Required employee contribution rates	9.00%	8.00%
Required employer contribution rates	27.920%	24.550%
	Safety- Police & Fire	Miscellaneous
Hire Date	On or after January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	62
Monthly benefits, as a % of annual salary	2.70%	2%
Required employee contribution rates	12.25%	6.50%
Required employer contribution rates	12.25%	6.50%

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**9. RETIREMENT PLANS, Continued**

**B. Benefits Provided, Continued**

**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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized against net pension liability for the Plans were as follows:

	Safety-Fire	Safety-Police	Miscellaneous	Total
Contributions - employer	\$ 637,687	\$ 10,020	\$ 845,401	\$ 1,493,108

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

As of June 30, 2015, the City reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

	Proportionate Share of Net Pension Liability
Safety-Fire	\$ 8,484,719
Safety-Police	5,855,357
Miscellaneous	14,649,225
<b>Total Net Pension Liability</b>	<b>\$ 28,989,301</b>

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, 2014, and the total pension liability for the Plans used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2013 rolled forward to June 30, 2014 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.

**City of Millbrae**  
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**For the year ended June 30, 2015**

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**9. RETIREMENT PLANS, Continued**

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

The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 were as follows:

	<u>Safety-Fire</u>	<u>Safety-Police</u>	<u>Miscellaneous</u>
Proportion - June 30, 2013	0.290026%	0.215397%	0.5562107%
Proportion - June 30, 2014	0.226200%	0.156100%	0.5927300%
Change - Increase (Decrease)	-0.063826%	-0.059297%	0.0365193%

For the year ended June 30, 2015, the City recognized pension expense of \$1,501,026. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,399,544	\$ -
Changes in employer's proportion and differences between the employer's contribution and the employer's proportionate share of contributions	819,320	1,217,957
Net differences between projected and actual earnings on plan investments		7,803,480
Total	<u>\$ 2,218,864</u>	<u>\$ 9,021,437</u>

\$1,399,544 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.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
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**9. RETIREMENT PLANS, Continued**

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

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

Measurement Period	
Ending June 30:	
2015	\$ (2,093,240)
2016	(2,093,240)
2017	(2,064,767)
2018	(1,950,870)

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

	All Plans
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return <sup>(1)</sup>	7.50%
Mortality	Derived by CalPERS membership data for all funds

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**9. RETIREMENT PLANS, Continued**

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

*Discount Rate* – The discount rate used to measure the total pension liability was 7.50% 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 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**9. RETIREMENT PLANS, Continued**

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

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	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	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.

***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:

	Safety-Fire	Safety-Police	Miscellaneous	Total
1% Decrease	6.50%	6.50%	6.50%	6.50%
Net Pension Liability	\$ 14,036,495	\$ 10,592,885	\$ 23,349,411	\$ 47,978,791
Current Discount Rate	7.50%	7.50%	7.50%	7.50%
Net Pension Liability	\$ 8,484,719	\$ 5,855,357	\$ 14,649,225	\$ 28,989,301
1% Increase	8.50%	8.50%	8.50%	8.50%
Net Pension Liability	\$ 3,910,296	\$ 1,951,838	\$ 7,428,897	\$ 13,291,031

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**9. RETIREMENT PLANS, Continued**

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

*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, 2015 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**10. POST-EMPLOYMENT BENEFITS**

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

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**10. POST-EMPLOYMENT BENEFITS, Continued**

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

Eligibility	<ul style="list-style-type: none"> <li>• Service (50 &amp; 5 years CalPERS service) or Disability retirement</li> <li>• Retire directly from City under CalPERS</li> </ul>
Management & Confidential	<p>PEMHCA Unequal Method:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Retirees: City contribution equal to 5% of active contribution times years of participation in PEMHCA (max \$1 00/month annual increase)</li> <li>• Management &amp; Confidential joined PEMHCA in 1986</li> <li>• City pays premium and reimburses Medicare Parts A, B &amp;D</li> <li>• Total City payments not to exceed unequal method benefit caps: <ul style="list-style-type: none"> <li>Cap</li> <li>2013: \$ 1,207.50</li> <li>2014: \$ 1,307.50</li> <li>2015+: \$1,385.62</li> </ul> </li> </ul>
Sanitation	<ul style="list-style-type: none"> <li>• PEMHCA minimum</li> </ul>
Firefighter	<ul style="list-style-type: none"> <li>• Fire Captain Retirees: City contributes \$1,385.62 toward medical premiums</li> <li>• Firefighter Retirees: City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable</li> </ul>
Teamsters	<ul style="list-style-type: none"> <li>• Teamsters Local856 Health &amp; Welfare Trust</li> <li>• Retiree pays full premium</li> <li>• Not included in valuation</li> </ul>
Surviving Spouse Benefit	<ul style="list-style-type: none"> <li>• 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity</li> </ul>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**10. POST-EMPLOYMENT BENEFITS, Continued**

As of June 30, 2015, approximately 31 participants were eligible to receive benefits.

Healthcare cost trend rate assumptions are as follows:

Year	Increase from Prior Year	
	Non-Medicare	Medicare
	HMO&PPO	HMO&PPO
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, 2012 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.5% 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.

**B. Funding Progress and Funded Status**

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. In fiscal year 2015, 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, 2015**

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**10. POST-EMPLOYMENT BENEFITS, Continued**

*B. Funding Progress and Funded Status, Continued*

Annual required contribution (ARC)	\$ 1,163,000
Interest on net OPEB obligation	140,000
Adjustment to annual required contribution	<u>(333,000)</u>
Annual OPEB cost	970,000
Contributions made:	
Current year premiums paid	<u>718,000</u>
Change in net OPEB obligation	252,000
Net OPEB Obligation at June 30, 2014	<u>\$ 3,843,033</u>
Net OPEB Obligation at June 30, 2015	<u><u>\$ 4,095,033</u></u>

The Plan's annual required contributions and actual contributions for the years ended June 30, 2015 are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	ARC Contributed	Net OPEB Obligation
6/30/2013	\$ 970,000	\$ 624,363	64.37%	\$ 3,593,670
6/30/2014	983,000	733,637	74.63%	3,843,033
6/30/2015	970,000	718,000	74.02%	4,095,033

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

**City of Millbrae**  
**Notes to Basic Financial Statements**  
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***B. Funding Progress and Funded Status, Continued***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Overfunded (Underfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
1/1/2012	\$ -	\$ 14,385,000	\$ (14,385,000)	0.00%	\$ 5,549,000	-259.2%
1/1/2015	-	15,613,000	(15,613,000)	0.00%	3,265,000	-478.2%

**11. 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, 2015, the City paid ABAG Plan \$321,879 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

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

***B. Liability for Uninsured Claims***

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

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

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**11. RISK MANAGEMENT, Continued**

***B. Liability for Uninsured Claims, Continued***

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

	Fiscal 2014-2015			Fiscal 2013-2014 Totals
	Workers'	General		
	Compensation Claims	Liability Claims	Total	
Balances, beginning of year	\$ 2,327,000	\$ 336,075	\$ 2,663,075	\$ 2,506,618
Net change in:				
Liability for current fiscal year claims	8,240	-	8,240	47,526
Claims incurred but not reported (IBNR) and adjustments	-	(132,335)	(132,335)	519,415
Claims paid	(333,570)	(112,737)	(446,307)	(410,484)
Balances, end of year	2,001,670	91,003	2,092,673	\$ 2,663,075
Current portion	500,420	22,750	523,170	\$ 838,056
Noncurrent portion	1,501,250	68,253	1,569,503	\$ 1,825,019

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

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

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$80,753 for the year ended June 30, 2015. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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**12. JOINTLY GOVERNED ORGANIZATIONS, Continued**

***B. Transportation System Management***

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

**13. 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**  
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**13. 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 \$380,436 during fiscal year 2015, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2016 is estimated to be \$347,244.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
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**13. 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 \$14,576. The actual lease payments will be determined and payments will commence after the new animal shelter facility is completed, and will be due each July 1st.

***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, 2015**

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**14. 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.

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, 2015, 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**  
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**14. 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, 2015**

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

***C. Capital Assets, Continued***

Capital assets recorded at June 30 comprise:

	Balance at June 30, 2014	Additions	Balance at June 30, 2015
Capital assets being depreciated:			
Building and Improvements	\$ 3,608	\$ -	\$ 3,608
Furniture, Fixtures and Equipment	41,391	-	41,391
Automobiles and Trucks	11,754	-	11,754
Infrastructure	475,320	-	475,320
Total capital assets being depreciated	532,073	-	532,073
Less accumulated depreciation for:			
Building and Improvements	1,214	71	1,285
Furniture, Fixtures and Equipment	15,466	1,534	17,000
Automobiles and Trucks	11,754	-	11,754
Infrastructure	90,549	13,751	104,300
Total accumulated depreciation	118,983	15,356	134,339
Net capital assets being depreciated	413,090	(15,356)	397,734
Capital Assets, net	413,090	(15,356)	397,734

***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 and loans 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, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Redevelopment Tax						
2005 Tax Allocation Bond	\$ 8,590,000	\$ 7,410,000	\$ -	\$ (205,000)	\$ 7,205,000	\$ 210,000
<b>Total long term debt</b>	<b>\$ 8,590,000</b>	<b>\$ 7,410,000</b>	<b>\$ -</b>	<b>\$ (205,000)</b>	<b>\$ 7,205,000</b>	<b>\$ 210,000</b>

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

***D. Long-Term Debt***

***Debt Service Requirements***

Debt service requirements are as follows:

Year ending June 30:	Principal	Interest	Total
2016	\$ 210,000	\$ 326,563	\$ 536,563
2017	225,000	319,038	544,038
2018	235,000	310,882	545,882
2019	245,000	302,110	547,110
2020	255,000	282,533	537,533
2020-2024	1,445,000	1,238,600	2,683,600
2025-2029	1,805,000	891,746	2,696,746
2030-2034	2,265,000	417,973	2,682,973
2034-2036	520,000	12,220	532,220
Total	<u>\$ 7,205,000</u>	<u>\$ 4,101,665</u>	<u>\$ 11,306,665</u>

***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.

Total principal and interest remaining to be paid on the Bonds is \$11,272,706. Principal and interest paid for the current year was \$531,562.

**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

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

**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 City expects such amounts, if any, to be immaterial.

**15. PRIOR PERIOD ADJUSTMENTS**

The City recorded the following prior period adjustments to record the net pension liability as of the beginning of the year, to defer employer pension contributions made in the fiscal year 2014, eliminate the previously recorded net pension asset, and to eliminate unavailable revenues that were related to long term loan receivables.

*Government-wide Statements*

	Net Position, as Previously Reported	Prior Period Adjustment			Net Position, as Restated
		Net Pension Asset	Deferred Employer Pension Contributions	Net Pension Liability	
Government-Wide Statements					
Governmental Activities	\$ 74,600,075	\$ (6,113,479)	\$ 1,172,055	\$ (30,188,267)	\$ 39,470,384
Business-type Activities	\$ 30,381,122	\$ -	\$ 321,053	\$ (6,995,233)	\$ 23,706,942



**City of Millbrae**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2015**

**15. PRIOR PERIOD ADJUSTMENTS, Continued**

*Fund Statements*

	Net Position, as Previously Reported	Prior Period Adjustment			Net Position, as Restated
		Unavailable Revenues	Deferred Employer Pension Contributions	Net Pension Liability	
<u><i>Governmental Funds</i></u>					
Low and Moderate Income					
Housing Asset CP Fund	\$ 1,234,970	\$ 11,212,721	\$ -	\$ -	\$ 12,447,691
<u><i>Proprietary Funds</i></u>					
Water Fund	\$ 14,076,101	\$ -	\$ 105,162	\$ (2,291,304)	\$ 11,889,959
Wastewater Fund	\$ 15,716,575	\$ -	\$ 203,383	\$ (4,431,392)	\$ 11,488,566
Storm Drain Fund	\$ 430,491	\$ -	\$ 12,508	\$ (272,537)	\$ 170,462
Internal Service Funds	\$ 3,822,723	\$ -	\$ 14,990	\$ (326,589)	\$ 3,511,124

**16. SUBSEQUENT EVENTS**

On July 9, 2015, the Successor Agency to the Redevelopment Agency of the City of Millbrae issued 2015 Tax Allocation Refunding Bonds (Series 2015 Bonds), totaling \$6,505,000. The purpose of the Series 2015 Bonds is to refund the outstanding balance of the Successor Agency to the Redevelopment Agency of the City of Millbrae 2005 Tax Allocation Bonds.



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# REQUIRED SUPPLEMENTARY INFORMATION

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**City of Millbrae**  
**Required Supplementary Information**  
**For the year ended June 30, 2015**

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**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 yearend lapse, except for purchases in progress. With City Council approval, prior year unexpended and open project and grant appropriations will be rolled-over into the new fiscal year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds except for Capital Projects Funds (which are budgeted on project length basis) and AB2928 Grant Special Revenue Fund.

***B. Encumbrances***

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

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

**B. Budgetary Comparison Schedules**

The following are the budget comparison schedules for all major Governmental Funds.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Property tax	\$ 10,225,409	\$ 9,915,419	\$ 10,225,409	\$ 309,990
Sales tax	2,709,549	2,262,981	2,709,549	446,568
Transient occupancy tax	7,467,020	5,530,000	7,467,020	1,937,020
Franchise Tax	1,029,029	890,000	1,029,029	139,029
Other taxes	291,905	220,000	291,905	71,905
Licenses and permits	985,255	896,534	985,255	88,721
Charges for services	819,994	687,413	819,994	132,581
Fines and forfeitures	1,617,264	1,111,500	1,617,264	505,764
Use of money and property	446,731	395,202	446,731	51,529
Grants and intergovernmental	368,870	158,600	368,870	210,270
Miscellaneous	331,841	937,418	331,841	(605,577)
<b>Total revenues</b>	<b>26,292,867</b>	<b>23,005,067</b>	<b>26,292,867</b>	<b>3,287,800</b>
<b>EXPENDITURES:</b>				
Current:				
General government:	3,079,206	5,092,772	3,079,194	2,013,578
Public Safety	11,064,044	11,931,140	11,064,044	867,096
Highways and streets	1,019,109	981,807	1,019,109	(37,302)
Culture and recreation	4,536	209,294	4,536	204,758
Community development	2,446,410	2,117,645	2,446,410	(328,765)
Capital outlay	588,169	3,097,126	588,169	2,508,957
<b>Total expenditures</b>	<b>18,201,474</b>	<b>23,429,784</b>	<b>18,201,462</b>	<b>5,228,322</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>8,091,393</b>	<b>(424,717)</b>	<b>8,091,405</b>	<b>8,516,122</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	(573,709)	-	573,709	573,709
Transfers out	(6,148,237)	(6,159,423)	(6,148,237)	11,186
<b>Total other financing sources (uses)</b>	<b>(6,721,946)</b>	<b>(6,159,423)</b>	<b>(5,574,528)</b>	<b>584,895</b>
<b>Net change in fund balance</b>	<b>\$ 1,369,447</b>	<b>\$ (6,584,140)</b>	<b>2,516,877</b>	<b>\$ 9,101,017</b>
<b>FUND BALANCE:</b>				
Beginning of year			14,975,945	
End of year			<u>\$ 17,492,822</u>	

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN**

**A. Miscellaneous Plan**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>6/30/2014</u>
Proportion of the net pension liability	0.23542%
Proportionate share of the net pension liability	\$ 14,649,225
Covered - employee payroll	\$ 5,119,868
Proportionate Share of the net pension liability as percentage of covered-employee payroll	286.13%
Plan fiduciary net position as a percentage of the total pension liability	77.66%

**Notes to Schedule:**

\*- Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown.

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

**A. Miscellaneous Plan, Continued**

**SCHEDULE OF CONTRIBUTIONS**

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 918,896
Contribution in relation to the actuarially determined contributions	(918,896)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 5,179,440
Contributions as a percentage of covered-employee payroll	17.74%

**Note to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20%, depending on Age, Service, and employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	55 yrs.
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* - Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

***B. Safety Fire Plan***

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>6/30/2014</u>
Proportion of the net pension liability	0.13636%
Proportionate share of the net pension liability	\$ 8,484,719
Covered - employee payroll	\$ 2,410,502
Proportionate Share of the net pension liability as percentage of covered-employee payroll	351.99%
Plan fiduciary net position as a percentage of the total pension liability	79.53%

**Notes to Schedule:**

\*- Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown.

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

***B. Safety Fire Plan, Continued***

**SCHEDULE OF CONTRIBUTIONS**

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 480,648
Contribution in relation to the actuarially determined contributions	(480,648)
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,668,887
Contributions as a percentage of covered-employee payroll	28.80%

**Note to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20%, depending on Age, Service, and employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	50 years
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* - Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

***C. Safety Police Plan***

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u><b>6/30/2014</b></u>
Proportion of the net pension liability	0.09410%
Proportionate share of the net pension liability	\$ 5,855,357
Covered - employee payroll	N/A
Proportionate Share of the net pension liability as percentage of covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.44%

**Notes to Schedule:**

\*- Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown.



**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**2. DEFINED BENEFIT PENSION PLAN, Continued**

***C. Safety Police Plan, Continued***

**SCHEDULE OF CONTRIBUTIONS**

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ -
Contribution in relation to the actuarially determined contributions	-
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ -
Contributions as a percentage of covered-employee payroll	0.00%

**Note to Schedule**

Valuation date: 6/30/2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	11 years
Asset valuation method	15 year smoothed market
Inflation	2.75%
Salary increases	3.30% to 14.20%, depending on Age, Service, and employment
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	55 years
Mortality	RP-2000 Healthy Annuitant Mortality Table

\* - Fiscal year 2015 was the 1 st year of implementation, therefore only one year is shown

**City of Millbrae**  
**Required Supplementary Information, Continued**  
**For the year ended June 30, 2015**

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**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

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# **SUPPLEMENTARY INFORMATION**

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## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

*AB2928 Grant* accounts for grants received pursuant to AB2928.

*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.

**City of Millbrae**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue				
	Measure A	Gas Tax	AB2928 Grant	Special Recreation	Integrated Waste Management
<b>ASSETS</b>					
Cash and investments	\$ 2,284,975	\$ 1,697,509	\$ -	\$ -	\$ 476,938
Cash with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	49,776	-	-	-	-
Accounts - net	-	-	-	-	-
Due from other governmental agencies	-	-	-	-	40,342
<b>Total assets</b>	<b>\$ 2,334,751</b>	<b>\$ 1,697,509</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 517,280</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	38,836	60,473	-	54,363	3,516
Deposits	-	-	-	44,884	30,000
Due to other funds	-	-	-	22,041	-
Unearned revenue	-	-	-	108,845	-
<b>Total liabilities</b>	<b>38,836</b>	<b>60,473</b>	<b>-</b>	<b>230,133</b>	<b>33,516</b>
<b>Fund Balances:</b>					
Restricted	2,295,915	1,637,036	-	-	483,764
Unassigned	-	-	-	(230,133)	-
<b>Total fund balances</b>	<b>2,295,915</b>	<b>1,637,036</b>	<b>-</b>	<b>(230,133)</b>	<b>483,764</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,334,751</b>	<b>\$ 1,697,509</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 517,280</b>

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
\$ 4,273,453	\$ 12,466	\$ 185,370	\$ 3,220,610	\$ 868,792	\$ 116,354	\$ -
-	-	-	-	-	-	159
-	-	-	-	-	-	-
60,000	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,333,453</u>	<u>\$ 12,466</u>	<u>\$ 185,370</u>	<u>\$ 3,220,610</u>	<u>\$ 868,792</u>	<u>\$ 116,354</u>	<u>\$ 159</u>
27,519	-	4,447	-	-	-	-
17,500	-	-	3,122	-	-	-
112,042	-	-	-	-	-	3,471
-	-	-	-	-	-	-
<u>157,061</u>	<u>-</u>	<u>4,447</u>	<u>3,122</u>	<u>-</u>	<u>-</u>	<u>3,471</u>
4,176,392	12,466	180,923	3,217,488	868,792	116,354	-
-	-	-	-	-	-	(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>\$ 4,333,453</u>	<u>\$ 12,466</u>	<u>\$ 185,370</u>	<u>\$ 3,220,610</u>	<u>\$ 868,792</u>	<u>\$ 116,354</u>	<u>\$ 159</u>

**City of Millbrae**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

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	Capital Projects	Total
	Developer	Non-Major
	Fee	Governmental
	Funds	
<b>ASSETS</b>		
Cash and investments	\$ 727,912	\$ 13,864,379
Cash with fiscal agents	-	159
Receivables:		
Taxes	-	49,776
Accounts - net	-	60,000
Due from other governmental agencies	-	40,342
<b>Total assets</b>	<b>\$ 727,912</b>	<b>\$ 14,014,656</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	119,164	\$ 308,318
Deposits	350,253	445,759
Due to other funds	-	137,554
Unearned revenue	-	108,845
<b>Total liabilities</b>	<b>469,417</b>	<b>1,000,476</b>
<b>Fund Balances:</b>		
Restricted	258,495	13,247,625
Unassigned	-	(233,445)
<b>Total fund balances</b>	<b>258,495</b>	<b>13,247,625</b>
<b>Total liabilities and fund balances</b>	<b>\$ 727,912</b>	<b>\$ 14,248,101</b>



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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, 2015

	Special Revenue Funds				
	Measure A	Gas Tax	AB2928 Grant	Special Recreation	Integrated Waste Management
<b>REVENUES:</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	531,918	-	-	-	-
License and permits	-	-	-	-	-
Charges for services	-	-	-	671,352	291,531
Use of money and property	8,464	5,725	-	248,246	1,638
Grants and intergovernmental	-	656,205	-	-	6,124
Miscellaneous	8,082	4,518	-	9,019	18,019
<b>Total revenues</b>	<b>548,464</b>	<b>666,448</b>	<b>-</b>	<b>928,617</b>	<b>317,312</b>
<b>EXPENDITURES:</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Highways and streets	100,065	384,307	-	-	167,715
Culture and recreation	-	-	-	1,110,322	-
Community development	-	-	-	-	-
Capital outlay	-	445,905	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>100,065</b>	<b>830,212</b>	<b>-</b>	<b>1,110,322</b>	<b>167,715</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>448,399</b>	<b>(163,764)</b>	<b>-</b>	<b>(181,705)</b>	<b>149,597</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	34,399	-
Transfers out	-	(21,184)	-	(108,960)	(20,336)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(21,184)</b>	<b>-</b>	<b>(74,561)</b>	<b>(20,336)</b>
<b>Net change in fund balances</b>	<b>448,399</b>	<b>(184,948)</b>	<b>-</b>	<b>(256,266)</b>	<b>129,261</b>
<b>FUND BALANCES:</b>					
Beginning of the year	1,847,516	1,821,984	-	26,133	354,503
End of year	\$ 2,295,915	\$ 1,637,036	\$ -	\$ (230,133)	\$ 483,764

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
\$ -	\$ -	\$ -	\$ -	\$ 614,321	\$ -	\$ -
-	-	-	-	-	-	-
44,945	-	-	-	-	-	-
44,423	-	156,916	7,790	-	-	-
13,106	51	551	9,556	2,576	346	137
182,081	-	-	-	-	-	960,000
191,663	6,833	493	8,572	2,312	310	-
476,218	6,884	157,960	25,918	619,209	656	960,137
-	-	-	-	-	-	-
-	-	275,718	-	-	-	-
99,956	-	-	-	-	-	-
-	7,516	-	-	-	-	-
356,416	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	170,000	174,000	960,000
-	-	-	-	403,938	92,152	4,744
456,372	7,516	275,718	-	573,938	266,152	964,744
19,846	(632)	(117,758)	25,918	45,271	(265,496)	(4,607)
115,022	-	192,193	-	570,403	269,624	-
(3,960)	-	(38,142)	(3,083)	(570,403)	-	-
111,062	-	154,051	(3,083)	-	269,624	-
130,908	(632)	36,293	22,835	45,271	4,128	(4,607)
4,045,484	13,098	144,630	3,194,653	823,521	112,226	1,295
\$ 4,176,392	\$ 12,466	\$ 180,923	\$ 3,217,488	\$ 868,792	\$ 116,354	\$ (3,312)

# City of Millbrae

## Combining Statement of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2015

	Capital Project Fund	Total
	Developer	Non-Major
	Fees	Governmental
	Funds	
<b>REVENUES:</b>		
Property taxes	\$ -	\$ 614,321
Other taxes	-	531,918
License and permits	-	44,945
Charges for services	1,053,023	2,225,035
Use of money and property	2,159	292,555
Grants and intergovernmental	-	1,804,410
Miscellaneous	1,937	251,758
<b>Total revenues</b>	<b>1,057,119</b>	<b>5,764,942</b>
<b>EXPENDITURES:</b>		
Current:		
General government	-	-
Public safety	-	275,718
Public works	-	752,043
Culture and recreation	-	1,117,838
Community development	1,043,119	1,399,535
Capital outlay	-	445,905
Debt service:		
Principal	-	1,304,000
Interest, and fiscal charges	-	500,834
<b>Total expenditures</b>	<b>1,043,119</b>	<b>5,795,873</b>
<b>REVENUES OVER</b>		
<b>(UNDER) EXPENDITURES</b>	<b>14,000</b>	<b>(30,931)</b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Transfers in	-	1,181,641
Transfers out	(223)	(766,291)
<b>Total other financing sources (uses)</b>	<b>(223)</b>	<b>415,350</b>
<b>Net change in fund balances</b>	<b>13,777</b>	<b>384,419</b>
<b>FUND BALANCES:</b>		
Beginning of the year	244,718	12,629,761
End of year	\$ 258,495	\$ 13,014,180

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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, 2015

	Special Revenue Funds					
	Measure A			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	474,000	531,918	57,918	-	-	-
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	6,000	8,464	2,464	4,000	5,725	1,725
Grants and intergovernmental	-	-	-	556,230	656,205	99,975
Miscellaneous	-	8,082	8,082	-	4,518	4,518
<b>Total revenues</b>	<b>480,000</b>	<b>548,464</b>	<b>68,464</b>	<b>560,230</b>	<b>666,448</b>	<b>106,218</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	192,619	100,065	92,554	501,694	384,307	117,387
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	1,250,000	-	1,250,000	687,104	445,905	241,199
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>1,442,619</b>	<b>100,065</b>	<b>1,342,554</b>	<b>1,188,798</b>	<b>830,212</b>	<b>358,586</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(962,619)</b>	<b>448,399</b>	<b>(1,274,090)</b>	<b>(628,568)</b>	<b>(163,764)</b>	<b>(252,368)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(21,183)	(21,184)	(1)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,183)</b>	<b>(21,184)</b>	<b>(1)</b>
<b>Net change in fund balances</b>	<b>(962,619)</b>	<b>448,399</b>	<b>(1,274,090)</b>	<b>(649,751)</b>	<b>(184,948)</b>	<b>(252,369)</b>
Beginning Fund Balances		1,847,516			1,821,984	
Ending Fund Balances (Deficits)		\$ 2,295,915			\$ 1,637,036	

Special Revenue Funds								
AB2928			Special Recreation			Integrated Waste Management		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	719,380	671,352	(48,028)	220,002	291,531	71,529
-	-	-	259,000	248,246	(10,754)	-	1,638	1,638
-	-	-	-	-	-	-	6,124	6,124
-	-	-	-	9,019	9,019	-	18,019	18,019
-	-	-	978,380	928,617	(49,763)	220,002	317,312	97,310
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	226,986	167,715	59,271
-	-	-	1,138,907	1,110,322	28,585	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,138,907	1,110,322	28,585	226,986	167,715	59,271
-	-	-	-	-	-	-	-	-
-	-	-	(160,527)	(181,705)	(78,348)	(6,984)	149,597	38,039
-	-	-	98,769	34,399	(64,370)	-	-	-
-	-	-	(108,960)	(108,960)	-	(20,335)	(20,336)	(1)
-	-	-	(10,191)	(74,561)	(64,370)	(20,335)	(20,336)	(1)
-	-	-	(170,718)	(256,266)	(142,718)	(27,319)	129,261	38,038
-	-	-	-	26,133	-	-	354,503	-
\$ -	\$ -	\$ -	\$ (230,133)	\$ (230,133)	\$ -	\$ 483,764	\$ 483,764	\$ -

# City of Millbrae

## Combining Schedules of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2015

	Special Revenue Funds					
	Other			Sister City		
	Budget	Actuals	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	20,000	44,945	24,945	-	-	-
Charges for services	213,360	44,423	(168,937)	-	-	-
Use of money and property	7,500	13,106	5,606	75	51	(24)
Grants and intergovernmental	248,000	182,081	(65,919)	-	-	-
Miscellaneous	500	11,663	11,163	2,550	6,833	4,283
<b>Total revenues</b>	<b>489,360</b>	<b>296,218</b>	<b>(193,142)</b>	<b>2,625</b>	<b>6,884</b>	<b>4,259</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	197,145	99,956	97,189	-	-	-
Culture and recreation	-	-	-	2,275	7,516	(5,241)
Community development	409,578	356,416	53,162	-	-	-
Capital outlay	126,819	-	126,819	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest, and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>733,542</b>	<b>456,372</b>	<b>277,170</b>	<b>2,275</b>	<b>7,516</b>	<b>(5,241)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(244,182)</b>	<b>(160,154)</b>	<b>(470,312)</b>	<b>350</b>	<b>(632)</b>	<b>9,500</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	118,199	295,022	176,823	-	-	-
Transfers out	(3,959)	(3,960)	(1)	-	-	-
<b>Total other financing sources (uses)</b>	<b>114,240</b>	<b>291,062</b>	<b>176,822</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(129,942)</b>	<b>130,908</b>	<b>(293,490)</b>	<b>350</b>	<b>(632)</b>	<b>9,500</b>
Beginning Fund Balances		4,045,484			13,098	
Ending Fund Balances (Deficits)		<u>\$ 4,176,392</u>			<u>\$ 12,466</u>	



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)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 641,850	\$ 614,321	\$ (27,529)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
110,778	156,916	46,138	-	7,790	7,790	-	-	-
1	551	550	-	9,556	9,556	-	2,576	2,576
-	-	-	-	-	-	-	-	-
-	493	493	-	8,572	8,572	-	2,312	2,312
110,779	157,960	47,181	-	25,918	25,918	641,850	619,209	(22,641)
-	-	-	-	-	-	-	-	-
316,750	275,718	41,032	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	145,000	170,000	(25,000)
-	-	-	-	-	-	496,450	403,938	92,512
316,750	275,718	41,032	-	-	-	641,450	573,938	67,512
(205,971)	(117,758)	6,149	-	25,918	25,918	400	45,271	(90,153)
192,193	192,193	-	-	-	-	-	570,403	570,403
(38,141)	(38,142)	(1)	-	(3,083)	(3,083)	-	(570,403)	(570,403)
154,052	154,051	(1)	-	(3,083)	(3,083)	-	-	-
(51,919)	36,293	6,148	-	22,835	22,835	400	45,271	(90,153)
	144,630			3,194,653			823,521	
	\$ 180,923			\$ 3,217,488			\$ 868,792	

# City of Millbrae

## Combining Schedules of Revenues, Expenditures and Changes in Fund Balances

### Non-Major Governmental Funds

For the year ended June 30, 2015

	Debt Service Funds					
	1999 COPS			2004 Pension Obligation Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Obligation Bonds	Variance Positive (Negative)
<b>REVENUES:</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Use of money and property	-	346	346	-	137	137
Grants and intergovernmental	-	-	-	960,000	960,000	-
Miscellaneous	-	310	310	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>656</b>	<b>656</b>	<b>960,000</b>	<b>960,137</b>	<b>137</b>
<b>EXPENDITURES:</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal	166,000	174,000	(8,000)	955,000	960,000	(5,000)
Interest, and fiscal charges	103,624	92,152	11,472	5,000	4,744	256
<b>Total expenditures</b>	<b>269,624</b>	<b>266,152</b>	<b>3,472</b>	<b>960,000</b>	<b>964,744</b>	<b>(4,744)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(269,624)</b>	<b>(265,496)</b>	<b>(2,816)</b>	<b>-</b>	<b>(4,607)</b>	<b>4,881</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	269,624	269,624	-	-	-	-
Transfers out	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>269,624</b>	<b>269,624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>4,128</b>	<b>(2,816)</b>	<b>-</b>	<b>(4,607)</b>	<b>4,881</b>
Beginning Fund Balances		112,226			1,295	
Ending Fund Balances (Deficits)		<u>\$ 116,354</u>			<u>\$ (3,312)</u>	

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**City of Millbrae**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2015**

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,020,156	\$ 61,863	\$ 2,934,881	\$ 288,421
Receivables:				
Accounts - net	14,479	-	-	-
Total current assets	1,034,635	61,863	2,934,881	288,421
Noncurrent assets:				
Capital assets:				
Depreciable capital assets, net	998,426	-	-	-
Total capital assets	998,426	-	-	-
Total noncurrent assets	998,426	-	-	-
<b>Total assets</b>	<b>\$ 2,033,061</b>	<b>\$ 61,863</b>	<b>\$ 2,934,881</b>	<b>\$ 288,421</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred employer pension contributions	3,524	-	6,998	5,567
Deferred outflows of resources - pension	1,290	-	2,561	2,038
<b>Total deferred outflows of resources</b>	<b>4,814</b>	<b>-</b>	<b>9,559</b>	<b>7,605</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued payroll	\$ 39,584	\$ -	\$ 1,504	\$ 14,814
Compensated absences	960	-	-	-
Accrued self insurance	-	-	500,420	22,750
Total current liabilities	40,544	-	501,924	37,564
Noncurrent liabilities:				
Compensated absences	4,890	-	-	-
Accrued self-insurance	-	-	1,501,250	68,253
Net Pension Liability	57,505	-	114,164	90,840
Total noncurrent liabilities	62,395	-	1,615,414	159,093
<b>Total liabilities</b>	<b>102,939</b>	<b>-</b>	<b>2,117,338</b>	<b>196,657</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension	15,296	-	30,370	24,165
<b>Total deferred inflows of resources</b>	<b>15,296</b>	<b>-</b>	<b>30,370</b>	<b>24,165</b>
<b>NET POSITION</b>				
Net investment in capital assets	998,426	-	-	-
Unrestricted	921,214	61,863	796,732	75,204
<b>Total net position</b>	<b>\$ 1,919,640</b>	<b>\$ 61,863</b>	<b>\$ 796,732</b>	<b>\$ 75,204</b>

Leave Accrual	OPEB	Total
\$ 804,798	\$ 6,118,344	\$ 11,228,463
-	-	14,479
804,798	6,118,344	11,242,942
-	-	998,426
-	-	998,426
-	-	998,426
\$ 804,798	\$ 6,118,344	\$ 12,241,368
-	-	16,089
-	-	5,889
-	-	21,978
\$ -	\$ -	\$ 55,902
79,927	-	80,887
-	-	523,170
79,927	-	659,959
719,345	-	724,235
-	-	1,569,503
-	-	262,509
719,345	-	2,556,247
799,272	-	3,216,206
-	-	69,831
-	-	69,831
-	-	998,426
5,526	6,118,344	7,978,883
\$ 5,526	\$ 6,118,344	\$ 8,977,309

# City of Millbrae

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position

### Internal Service Funds

For the year ended June 30, 2015

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
<b>OPERATING REVENUES:</b>				
Equipment rental	\$ 605,720	\$ -	\$ -	\$ -
Interdepartmental charges	-	24,473	701,200	449,624
Miscellaneous	2,715	165	62,457	768
<b>Total operating revenues</b>	<b>608,435</b>	<b>24,638</b>	<b>763,657</b>	<b>450,392</b>
<b>OPERATING EXPENSES:</b>				
Personnel services	103,033	-	86,501	69,158
Contractual services	145,319	-	43,778	-
Materials, supplies and other services	92,742	-	-	-
Depreciation	225,785	-	-	-
Insurance premiums and claims	9,704	-	74,576	184,651
<b>Total operating expenses</b>	<b>576,583</b>	<b>-</b>	<b>204,855</b>	<b>253,809</b>
<b>OPERATING INCOME (LOSS)</b>	<b>31,852</b>	<b>24,638</b>	<b>558,802</b>	<b>196,583</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest revenue	3,209	183	8,752	855
Gain/loss on sale	43,707	-	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>46,916</b>	<b>183</b>	<b>8,752</b>	<b>855</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>78,768</b>	<b>24,821</b>	<b>567,554</b>	<b>197,438</b>
Transfers in	-	-	700,000	-
Transfers out	(10,762)	-	(9,642)	(21,400)
<b>Total transfers</b>	<b>(10,762)</b>	<b>-</b>	<b>690,358</b>	<b>(21,400)</b>
<b>Change in net position</b>	<b>68,006</b>	<b>24,821</b>	<b>1,257,912</b>	<b>176,038</b>
<b>NET POSITION</b>				
Beginning of year, as restated	1,851,634	37,042	(461,180)	(100,834)
End of year	\$ 1,919,640	\$ 61,863	\$ 796,732	\$ 75,204

Leave Accrual	OPEB	Total
\$ -	\$ -	\$ 605,720
-	-	1,175,297
2,142	16,284	84,531
2,142	16,284	1,865,548
-	1,004,094	1,262,786
-	-	189,097
-	-	92,742
-	-	225,785
-	-	268,931
-	1,004,094	2,039,341
2,142	(987,810)	(173,793)
3,384	18,154	34,537
-	-	43,707
3,384	18,154	78,244
5,526	(969,656)	(95,549)
-	4,903,538	5,603,538
-	-	(41,804)
-	4,903,538	5,561,734
5,526	3,933,882	5,466,185
-	2,184,462	3,511,124
\$ 5,526	\$ 6,118,344	\$ 8,977,309

**City of Millbrae**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the year ended June 30, 2015**

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from others	\$ 2,715	\$ 165	\$ 62,457	\$ 768
Cash received from customers	591,241	24,473	701,200	449,624
Cash payments to suppliers for goods and services	(219,164)	679	(24,968)	(27,723)
Cash paid to employees	(101,626)	-	(87,039)	(69,586)
Claims paid	(9,704)	-	(399,906)	(429,723)
<b>Net cash provided by operating activities</b>	<b>263,462</b>	<b>25,317</b>	<b>251,744</b>	<b>(76,640)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Transfers in	-	-	700,000	-
Transfers out	(10,762)	-	(9,642)	(21,400)
<b>Net cash provided by noncapital financing activities</b>	<b>(10,762)</b>	<b>-</b>	<b>690,358</b>	<b>(21,400)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Acquisition of capital assets	(228,046)	-	-	-
Proceed from sale of capital assets	112,443	-	-	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(115,603)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Investment income received	3,209	183	8,752	855
<b>Net cash provided by investing activities</b>	<b>3,209</b>	<b>183</b>	<b>8,752</b>	<b>855</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>140,306</b>	<b>25,500</b>	<b>950,854</b>	<b>(97,185)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>879,850</b>	<b>36,363</b>	<b>1,984,027</b>	<b>385,606</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 1,020,156</b>	<b>\$ 61,863</b>	<b>\$ 2,934,881</b>	<b>\$ 288,421</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>				
Cash and investments	\$ 1,020,156	\$ 61,863	\$ 2,934,881	\$ 288,421
<b>Total</b>	<b>\$ 1,020,156</b>	<b>\$ 61,863</b>	<b>\$ 2,934,881</b>	<b>\$ 288,421</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income	\$ 31,852	\$ 24,638	\$ 558,802	\$ 196,583
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	225,785	-	-	-
Changes in assets and liabilities:				
Accounts receivable	(14,479)	-	-	-
Deferred outflows - pension	(1,530)	-	(3,040)	(2,418)
Accounts payable and accrued payroll	18,897	679	18,810	(27,723)
Deposits payable				
Compensated absences	1,678	-	-	-
Accrued self insurance	-	-	(325,330)	(245,072)
Net pension liability	(14,037)	-	(27,868)	(22,175)
Deferred inflows - pension	15,296	-	30,370	24,165
<b>Total adjustments</b>	<b>231,610</b>	<b>679</b>	<b>(307,058)</b>	<b>(273,223)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 263,462</b>	<b>\$ 25,317</b>	<b>\$ 251,744</b>	<b>\$ (76,640)</b>

See accompanying Notes to Basic Financial Statements.



Leave Accrual	OPEB	Total
\$ 2,142	\$ 16,284	\$ 84,531
-	-	1,766,538
-	-	(271,176)
(334,929)	(1,004,094)	(1,597,274)
-	-	(839,333)
(332,787)	(987,810)	(856,714)
-	4,903,538	5,603,538
-	-	(41,804)
-	4,903,538	5,561,734
-	-	(228,046)
-	-	112,443
-	-	(115,603)
3,384	18,154	34,537
3,384	18,154	34,537
(329,403)	3,933,882	4,623,954
1,134,201	2,184,462	6,604,509
\$ 804,798	\$ 6,118,344	\$ 11,228,463
\$ 804,798	\$ 6,118,344	\$ 11,228,463
\$ 804,798	\$ 6,118,344	\$ 11,228,463
\$ 804,798	\$ 6,118,344	\$ 11,228,463
\$ 2,142	\$ (987,810)	\$ (173,793)
-	-	225,785
-	-	(14,479)
-	-	(6,988)
-	-	10,663
-	-	-
(334,929)	-	(333,251)
-	-	(570,402)
-	-	(64,080)
-	-	69,831
(334,929)	-	(682,921)
\$ (332,787)	\$ (987,810)	\$ (856,714)

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# STATISTICAL SECTION

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This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City.

## *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
6. Bonded Debt Pledged Revenue 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*

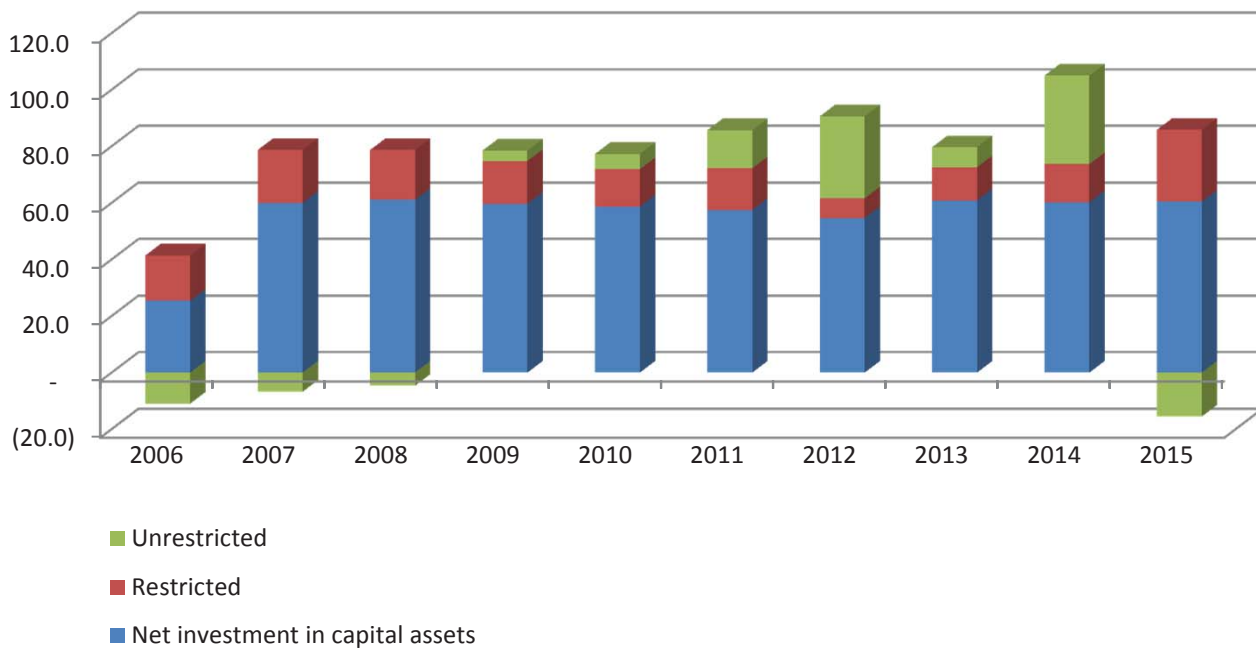
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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

## *Sources*

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

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



	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Activities</b>										
Net investment in capital assets	\$ 8.7	\$ 49.6	\$ 49.0	\$ 48.8	\$ 47.2	\$ 46.4	\$ 44.5	\$ 47.6	\$ 46.9	\$ 46.2
Restricted	16.0	18.7	17.6	15.1	13.2	14.7	6.9	11.7	13.5	25.4
Unrestricted	(10.3)	(10.7)	(8.7)	(4.8)	(3.7)	0.1	12.6	6.9	14.2	(24.6)
Total governmental activities net position	<u>14.4</u>	<u>57.6</u>	<u>57.9</u>	<u>59.1</u>	<u>56.7</u>	<u>61.2</u>	<u>64.0</u>	<u>66.2</u>	<u>74.6</u>	<u>47.0</u>
<b>Business-type activities</b>										
Net investment in capital assets	16.7	10.4	12.1	10.9	11.5	11.1	10.2	13.3	13.3	14.2
Unrestricted	(0.6)	4.0	4.1	8.5	9.1	13.4	16.4	0.2	17.1	9.1
Total business-type activities net position	<u>16.1</u>	<u>14.4</u>	<u>16.2</u>	<u>19.4</u>	<u>20.6</u>	<u>24.5</u>	<u>26.6</u>	<u>13.5</u>	<u>30.4</u>	<u>23.3</u>
<b>Primary government</b>										
Net investment in capital assets	25.4	60.0	61.1	59.7	58.7	57.5	54.7	60.9	60.2	60.4
Restricted	16.0	18.7	17.6	15.1	13.2	14.7	6.9	11.7	13.5	25.4
Unrestricted	(10.9)	(6.7)	(4.6)	3.7	5.4	13.5	29.0	7.1	31.3	(15.5)
Total primary government net position	<u>30.5</u>	<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>

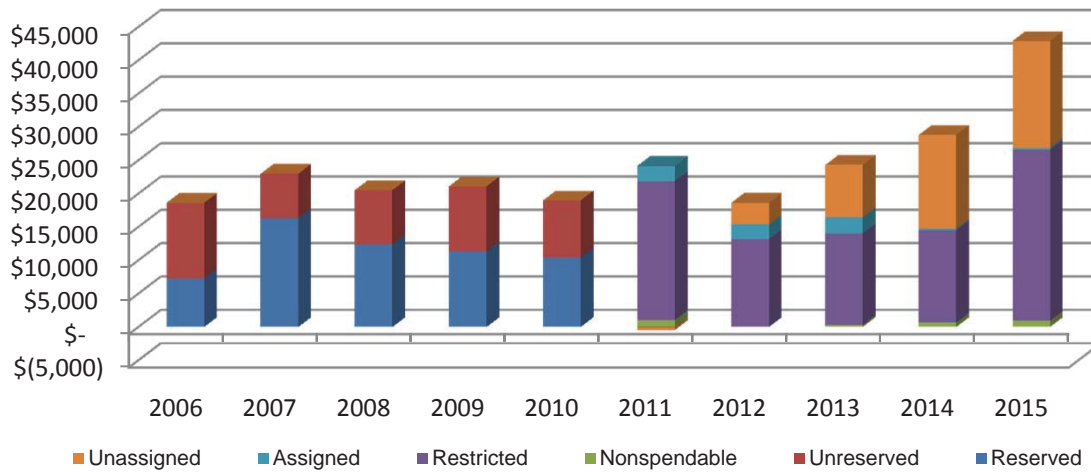
**CITY OF MILLBRAE**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Dollars in millions)**

<b>Expenses</b>	<b>For the year ended June 30,</b>									
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Governmental Activities:</b>										
General Government	\$ 1.8	\$ 1.9	\$ 2.1	\$ 2.1	\$ 2.2	\$ 2.3	\$ 4.1	\$ 3.3	\$ 3.2	\$ 3.4
Public Safety	8.8	6.4	10.0	11.7	12.5	11.7	12.1	10.8	10.5	11.6
Highway and Streets	1.5	5.6	4.3	4.1	3.6	2.4	1.1	2.4	2.5	3.0
Culture and Recreation	2.1	1.5	1.5	1.5	1.4	1.2	1.1	1.2	1.4	1.2
Community Development	3.0	5.3	5.1	6.9	8.6	6.3	2.9	3.6	3.6	4.4
Interest on Long-Term Debt	2.9	2.0	2.5	2.1	2.1	2.1	2.0	1.7	1.4	1.4
<b>Total Governmental Activities Expenses</b>	<b>20.1</b>	<b>22.7</b>	<b>25.5</b>	<b>28.4</b>	<b>30.4</b>	<b>26.0</b>	<b>23.3</b>	<b>23.0</b>	<b>22.6</b>	<b>25.0</b>
<b>Business-Type Activities:</b>										
Municipal Water System	3.5	3.8	4.2	4.4	4.9	5.1	5.9	6.4	6.5	6.7
Municipal Wastewater										
Treatment Facility	4.4	5.2	5.1	5.6	6.1	5.4	6.7	8.2	8.1	7.9
Storm Drain	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.4
<b>Total Business-Type Activities Expenses</b>	<b>8.3</b>	<b>9.4</b>	<b>9.8</b>	<b>10.4</b>	<b>11.5</b>	<b>11.0</b>	<b>13.1</b>	<b>15.0</b>	<b>15.1</b>	<b>15.0</b>
<b>Total Primary Government Expenses</b>	<b>28.4</b>	<b>32.1</b>	<b>35.3</b>	<b>38.8</b>	<b>41.9</b>	<b>37.0</b>	<b>36.4</b>	<b>38.0</b>	<b>37.7</b>	<b>40.0</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General Government	\$ 0.3	\$ 0.3	\$ 0.7	\$ 0.7	\$ 1.1	\$ 1.2	\$ 1.5	\$ 2.2	\$ 2.4	\$ 2.3
Public Safety	0.7	1.1	1.2	1.8	1.9	1.9	1.8	1.4	1.8	1.9
Highway and Streets	0.3	0.8	0.4	1.9	0.4	0.4	0.4	0.4	0.4	0.5
Culture and Recreation	0.9	0.8	0.7	0.9	0.9	1.0	1.0	0.9	0.9	0.9
Community Development	0.6	2.0	1.1	3.3	2.0	3.5	1.0	1.1	1.1	2.0
Operating Grants and Contributions	2.8	1.8	1.2	1.7	1.1	1.1	0.8	0.6	0.9	1.0
<b>Total Government Activities</b>										
Program Revenues	5.6	6.8	5.3	10.3	7.4	9.1	6.5	6.6	7.5	8.6
<b>Business-Type Activities:</b>										
Charges for Services:										
Municipal Water System	3.9	4.4	4.9	5.7	5.4	5.8	6.2	6.7	7.0	6.2
Municipal Wastewater										
Treatment Facility	4.5	5.0	5.8	6.5	7.6	8.5	8.4	8.5	8.6	8.4
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4
<b>Total Business-Type Activities</b>										
Program Revenues	8.6	9.6	10.9	12.4	13.2	14.6	14.9	15.5	15.9	15.0
<b>Total Primary Government</b>										
Program Revenues	14.2	16.4	16.2	22.7	20.6	23.7	21.4	22.1	23.4	23.6
<b>Net (Expenses)/Revenue</b>										
Governmental Activities	\$ (14.5)	\$ (15.9)	\$ (20.2)	\$ (18.1)	\$ (23.0)	\$ (16.9)	\$ (16.8)	\$ (16.4)	\$ (15.1)	\$ (16.4)
Business-Type Activities	0.3	0.2	1.1	2.0	1.7	3.6	1.8	1.0	0.8	-
<b>Total Primary Government Net Expense</b>	<b>(14.2)</b>	<b>(15.7)</b>	<b>(19.1)</b>	<b>(16.1)</b>	<b>(21.3)</b>	<b>(13.3)</b>	<b>(15.0)</b>	<b>(15.4)</b>	<b>(14.3)</b>	<b>(16.4)</b>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 9.6	\$ 10.9	\$ 11.9	\$ 13.1	\$ 13.4	\$ 13.4	\$ 10.9	\$ 9.2	\$ 10.1	\$ 10.8
Sales Taxes	2.2	2.4	2.2	2.4	2.0	2.2	2.2	2.2	2.3	2.7
Motor Vehicle in Lieu	0.1	0.1	0.1	0.1	0.1	0.1				7.5
Transient Occupancy Tax	2.6	2.9	3.3	2.8	2.9	3.7	3.9	5.0	6.1	1.0
Other Taxes	1.7	1.4	1.5	1.4	1.6	1.6	1.7	1.5	1.9	0.8
Miscellaneous										0.4
Interest Earnings	0.5	1.2	1.0	(0.2)	0.3	0.2	0.2	0.4	0.4	0.3
Other Taxes	0.2	0.4	0.7	0.3	0.3	0.3	0.2	0.8	0.1	0.4
Transfers	(0.1)		(0.3)	(0.5)	0.4	(0.3)	(0.2)	(0.1)	(0.2)	
Extraordinary item							0.8			
Total Government Activities	16.8	19.3	20.4	19.4	21.0	21.2	19.7	19.0	20.7	23.9
Business-Type Activities:										
Interest Earnings	0.2	0.2	0.2	0.2		0.1	0.1	0.2	0.2	
Miscellaneous		0.3	0.3	0.1	0.8	(0.3)		0.1		
Transfers and Other		0.1	0.3	0.4	0.5	(0.4)	0.3	0.1	0.2	(0.4)
Total Business-Type Activities	0.2	0.6	0.8	0.7	1.3	(0.6)	0.4	0.4	0.4	(0.4)
Total Primary Government	17.0	19.9	21.2	20.1	22.3	20.6	20.1	19.4	21.1	23.5
<b>Change in Net Position</b>										
Governmental Activities	2.3	3.4	0.2	0.2	1.3	(2.0)	4.3	5.0	5.6	7.5
Business-Type Activities	0.5	0.8	1.9	1.8	3.3	1.1	4.0	2.6	1.2	0.4
Total Primary Government	\$ 2.8	\$ 4.2	\$ 2.1	\$ 2.0	\$ 4.6	\$ (0.9)	\$ 8.3	\$ 7.6	\$ 6.8	\$ 7.1

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



	June 30,				
	2006	2007	2008	2009	2010
<b>General Fund</b>					
Reserved	\$ 1,305,552	\$ 1,714,021	\$ 1,216,313	\$ 1,181,922	\$ 1,186,935
Unreserved	1,399,190	2,982,238	1,684,476	1,567,044	1,675,398
<b>Total General Fund</b>	<u>2,704,742</u>	<u>4,696,259</u>	<u>2,900,789</u>	<u>2,748,966</u>	<u>2,862,333</u>

<b>All Other Governmental Funds</b>					
Reserved	5,994,916	14,623,608	11,216,290	10,174,496	9,253,798
Unreserved, reported in:					
Special revenue funds	8,575,778	4,042,908	5,411,096	6,267,513	4,914,750
Capital project funds	1,359,947	(362,503)	1,010,397	1,922,889	1,971,780
<b>Total all other governmental funds</b>	<u>\$ 15,930,641</u>	<u>\$ 18,304,013</u>	<u>\$ 17,637,783</u>	<u>\$ 18,364,898</u>	<u>\$ 16,140,328</u>

	June 30,				
	2011	2012	2013	2014	2015
<b>General Fund</b>	(b)				
Nonspendable	1,040,100	29,860	298,057	672,576	932,312
Assigned	2,264,565	2,171,454	2,387,817	236,452	308,378
Unassigned	788,991	3,291,888	7,874,526	14,066,917	16,252,132
<b>Total General Fund</b>	<u>4,093,656</u>	<u>5,493,202</u>	<u>10,560,400</u>	<u>14,975,945</u>	<u>17,492,822</u> (a)
<b>All Other Governmental Funds</b>					
Restricted	20,860,686	13,174,286	13,751,243	13,864,731	25,661,556
Unassigned	(1,228,417)	(23,248)			(233,445)
<b>Total all other governmental funds</b>	<u>\$ 19,632,269</u>	<u>\$ 13,151,038</u>	<u>\$ 13,751,243</u>	<u>\$ 13,864,731</u>	<u>\$ 25,428,111</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)**

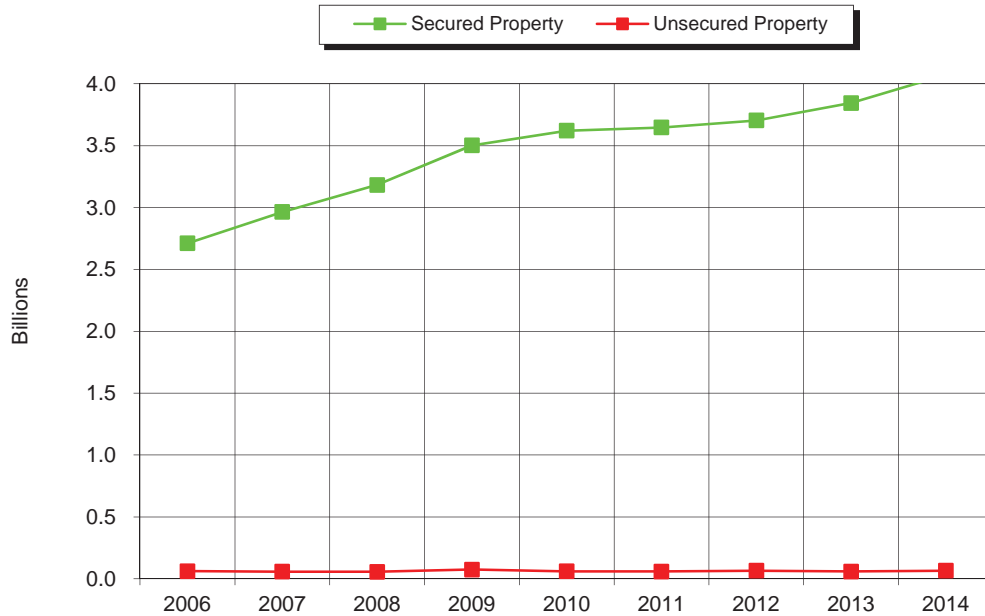
	Fiscal Year Ended June 30,			
	2006	2007	2008	2009
<b>Revenue</b>				
Taxes	16,191,092	17,815,200	19,167,621	20,081,107
Licenses, permits and fees	474,612	1,044,495	530,799	629,695
Charges for services	1,840,334	2,957,931	2,275,012	6,219,277
Fines and Forfeitures	358,782	700,717	592,195	854,587
Use of money and property	763,161	1,562,303	1,443,506	302,045
Grants and intergovernmental	1,129,260	1,271,907	1,295,216	1,802,482
Miscellaneous	229,921	406,738	792,893	239,237
Total Revenues	20,987,162	25,759,291	26,097,242	30,128,430
<b>Expenditures</b>				
Current:				
General government	1,475,679	1,731,518	1,846,271	1,801,585
Public safety	8,414,172	8,758,410	9,851,524	10,668,650
Highways and streets	1,430,631	1,803,807	2,175,594	1,995,038
Culture and recreation	2,057,200	1,306,120	1,456,488	1,442,001
Community development	3,391,005	4,373,645	5,071,248	5,207,855
Capital outlay	663,204	2,157,024	1,666,662	5,647,530
Debt service:				
Principal repayment	807,350	379,928	1,150,376	1,124,366
Interest and fiscal charges	1,231,034	1,238,788	1,227,636	1,194,519
Total Expenditures	19,470,275	21,749,240	24,445,799	29,081,544
Excess (deficiency) of revenues over (under) expenditures	1,516,887	4,010,051	1,651,443	1,046,886
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,696,763	2,081,633	3,461,056	7,930,991
Transfers (out)	(2,232,446)	(2,215,841)	(4,011,125)	(8,403,585)
Premium on issuance of long-term debt				
Long-term debt issuance	188,074	489,046	25,000	
Payment to refunding escrow agent				
Sale of capital assets				1,000
Total other financing sources (uses)	652,391	354,838	(525,069)	(471,594)
Net change in fund balances before extraordinary item	2,169,278	4,364,889	1,126,374	575,292
Extraordinary item	-	-	-	-
Net change in fund balances	2,169,278	4,364,889	1,126,374	575,292
Debt services as a percentage of noncapital expenditures	11.4%	8.4%	10.4%	8.5%



Fiscal Year Ended June 30,					
2010	2011	2012	2013	2014	2015
19,922,116	20,876,511	18,724,073	20,487,182	20,491,692	22,869,151
787,170	665,289	998,214	843,018	843,018	864,939
2,169,540	4,205,335	2,462,577	2,540,041	2,540,041	3,842,299
1,097,610	1,313,498	1,223,209	1,261,992	1,261,992	464,115
805,476	724,554	781,252	1,067,420	1,067,420	1,277,810
2,300,750	1,798,705	808,281	1,975,155	1,975,155	2,173,280
672,299	834,417	665,205	422,200	422,202	584,381
27,754,961	30,418,309	25,662,811	28,597,008	28,601,520	32,075,975
1,690,298	1,796,972	2,160,416	2,659,064	2,659,058	3,079,194
11,159,828	10,712,547	11,665,202	10,759,936	10,385,421	11,339,762
2,070,733	1,620,416	1,780,137	1,589,398	1,589,400	1,771,152
1,296,878	1,105,585	1,055,993	1,134,922	1,134,919	1,122,374
9,669,345	5,862,770	4,234,460	3,292,349	3,292,345	3,897,871
906,073	297,200	760,286	827,351	827,351	1,034,074
1,176,898	1,295,105	1,289,000	1,213,344	1,436,000	1,304,000
1,176,578	1,158,685	1,102,398	734,181	511,310	500,834
29,146,631	23,849,280	24,047,892	22,210,545	21,835,804	24,049,261
(1,391,670)	6,569,029	1,614,919	6,386,463	6,765,716	8,026,714
4,892,099	3,049,536	1,658,279	2,110,769	2,110,769	1,755,350
(5,229,632)	(4,895,301)	(2,006,475)	(4,531,058)	(4,531,058)	(6,914,528)
				454,096	
		2,555,000		9,745,000	
		(2,850,000)		(10,015,490)	
		25,221			
(337,533)	(1,845,765)	(617,975)	(2,420,289)	(2,236,683)	(5,159,178)
(1,729,203)	4,723,264	996,944	3,966,174	4,529,033	2,867,536
-	-	(6,078,629)	-	-	
(1,729,203)	4,723,264	(5,081,685)	3,966,174	4,529,033	2,867,536
8.6%	10.4%	10.9%	9.1%	9.2%	8.1%

**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)
2006	2,328,525,501	233,450,555	27,468,703	59,588,126	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24339%
2007	2,530,573,659	261,604,654	36,210,882	78,013,790	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25359%
2008	2,733,074,818	263,281,277	36,695,559	92,843,377	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25739%
2009	2,966,830,896	305,280,936	36,957,380	117,992,283	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27805%
2010	3,106,361,205	330,025,776	37,896,181	87,660,549	3,561,943,711	59,707,619	3,621,651,330	3,621,651,330	0.28047%
2011	3,126,546,755	368,098,716	36,480,257	57,453,767	3,588,579,495	58,876,426	3,647,455,921	3,647,455,921	0.27861%
2012	3,182,354,909	380,230,791	37,670,906	38,936,275	3,639,192,881	64,777,111	3,703,969,992	3,703,969,992	0.28129%
2013	3,364,643,087	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%

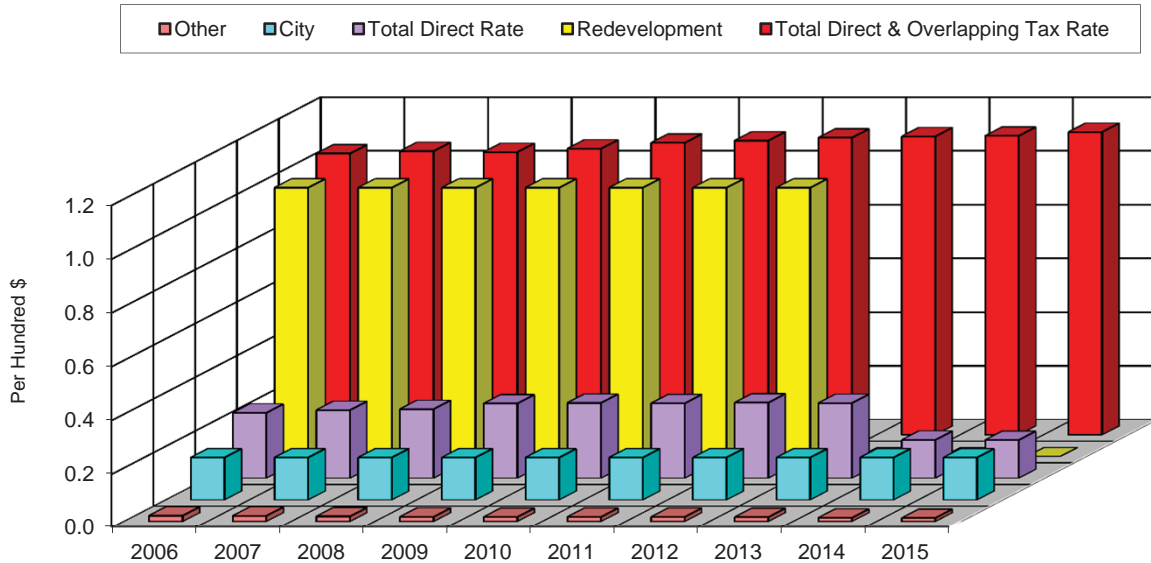
(a) The California State Constitution requires property to be assessed at one hundred percent (100%) of the most recent purchase price, plus an increment of no more than two percent (2%) annually, plus any local over-rides. These values are considered to be full market values.

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

Sources: Hdl 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)
2006	1.0000	0.0239	0.0224	1.0463	0.1579	0.0224	1.0000	0.24339
2007	1.0000	0.0340	0.0215	1.0555	0.1579	0.0215	1.0000	0.25359
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.25739
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.27805
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.28047
2011	1.0000	0.0769	0.0176	1.0945	0.1579	0.0176	1.0000	0.27861
2012	1.0000	0.0877	0.0175	1.1052	0.1579	0.0175	1.0000	0.28129
2013	1.0000	0.0930	0.0169	1.1099	0.1579	0.0169	-	0.27960
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

(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

**CITY OF MILLBRAE  
STATISTICS**

**TOP TEN PROPERTY TAXPAYERS**

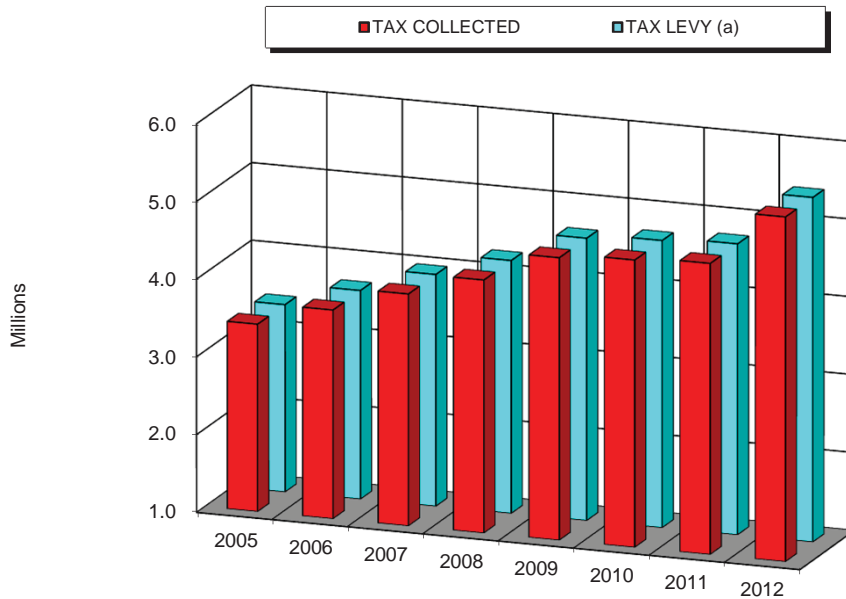
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2005-06		Fiscal Year 2014-15	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Millbrae WCP Hotel I LLC			74,301,623	1.73%
Millbrae WCP Hotel II LLC			47,133,000	1.09%
Westin Bay Hotel Company	42,664,949	1.61%		
OR Property Holdings			35,602,603	0.83%
SLT Realty Limited Partnership	26,000,000	0.98%		
Magnolia of Millbrae, Inc.	25,842,886	0.98%	28,063,185	0.65%
Marymount Greenhills LLC	19,323,245	0.73%	22,278,237	0.52%
RHC Associates			16,590,042	0.39%
Friend Friend and Friend			15,915,846	0.37%
Great Mountain Properties, LLC			15,778,110	0.37%
Green Hills Country Club			12,464,474	0.29%
Wilson Plaza LLC			12,361,713	0.29%
Glenborough Pauls Millbrae LLC	18,877,066	0.71%		
Williams Portfolio I	11,667,294	0.44%		
Townsquare Associates	10,035,489	0.38%		
American Store Properties Inc.	9,503,659	0.36%		
OSH Acquisition Corporation				
John & Susan Wilms	7,821,347	0.30%		
<b>TOTAL TOP TEN</b>	<b>171,735,935</b>	<b>6.48%</b>	<b>280,488,833</b>	<b>6.51%</b>
Total Secured Assessed Valuation:	2,649,032,885		4,306,198,921	

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	San Mateo County Collection Fee (b)
2005	3,408,015	3,408,015	100.0%	
2006	3,682,039	3,682,039	100.0%	
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

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

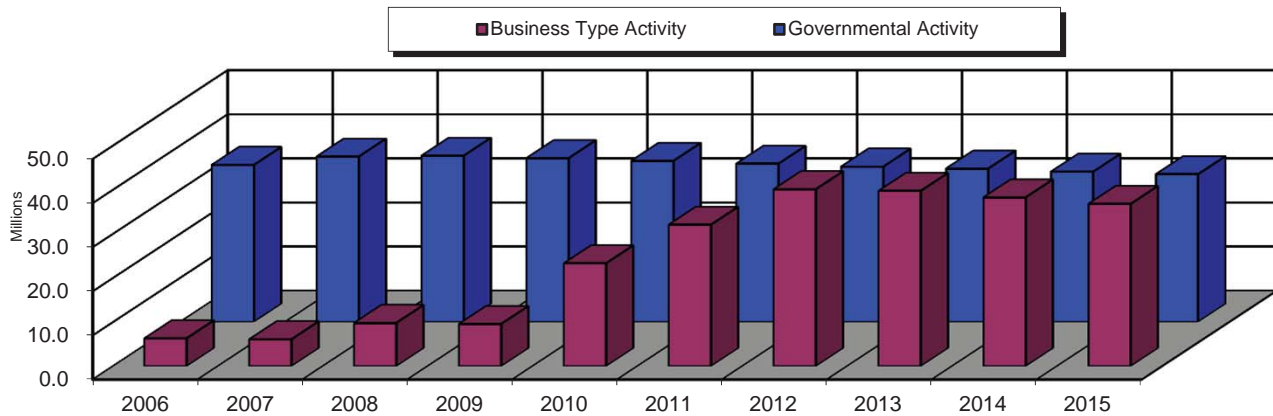
(b) San Mateo County Property Tax Collection Fee amounts are not available before 2008

(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	Loans (a)	TOTAL
2006	10,520,000	11,802,393	8,540,000	3,520,000		1,180,724	35,563,117
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
2009	10,345,000	14,633,198	8,270,000	3,135,000		710,164	37,093,362
2010	10,260,000	14,731,266	8,165,000	2,995,000		335,263	36,486,529
2011	10,160,000	14,819,095	7,985,000	2,850,000			35,814,095
2012	10,045,000	14,889,318	7,800,000			2,426,555	35,160,873
2013	9,915,000	14,934,475	7,610,000			2,263,000	34,722,475
2014	9,545,000	14,957,390	7,410,000			2,097,000	34,009,390
2015	9,375,000	14,950,473	7,205,000			1,923,000	33,453,473

**Business Type Activity**

Fiscal Year	Certificates of Participation	State Revolving Loan (b)	TOTAL	Total Primary Government	Personal Income Percentage (c)	Per Capita (c)
2006		6,286,001	6,286,001	41,849,118	0.11%	2,028
2007		6,076,171	6,076,171	43,540,111	0.10%	2,103
2008		9,793,026	9,793,026	47,446,237	0.11%	2,280
2009		9,564,218	9,564,218	46,657,580	0.10%	2,189
2010	15,931,367	7,382,051	23,313,418	59,799,947	0.14%	2,777
2011	14,325,935	17,738,215	32,064,150	67,878,245	0.18%	3,090
2012	12,690,984	27,405,675	40,096,659	75,257,532	0.19%	3,410
2013	12,430,000	27,294,385	39,724,385	74,446,860	0.19%	3,349
2014	12,275,000	25,982,472	38,257,472	72,266,862	0.18%	3,197
2015	12,115,000	24,657,832	36,772,832	70,226,305	0.17%	3,105

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

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

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

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

Sources: City of Millbrae Financial Records

State of California, Department of Finance (population)

U.S. Department of Commerce, Bureau of the Census (income)

Hdl Companies

**CITY OF MILLBRAE  
STATISTICS**

**RATIO OF GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Library Bonds</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Per Capita</b>
2006	10,520,000	0.39%	508.14
2007	10,475,000	0.35%	503.36
2008	10,415,000	0.33%	488.71
2009	10,345,000	0.30%	480.47
2010	10,260,000	0.28%	467.04
2011	10,160,000	0.28%	462.49
2012	10,045,000	0.27%	455.16
2013	9,915,000	0.25%	446.06
2014	9,545,000	0.24%	422.25
2015	9,375,000	0.21%	414.51

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

**CITY OF MILLBRAE  
STATISTICS**

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**

June 30, 2015

2014 / 2015 Assessed Valuation: 4,374,272,223

	Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
<b>OVERLAPPING TAX AND ASSESSMENT DEBT</b>			
San Mateo Community College District	\$ 664,859,994	2.639%	\$ 17,545,655
San Mateo Union High School District	554,523,059	7.537%	41,794,403
Millbrae School District Maintenance Assessment District	57,959,527	60.191%	34,886,419
<b>City of Millbrae - Public Library General Obligation Bonds</b>	<b>9,375,000</b>	<b>100.000%</b>	<b>9,375,000</b>
California Statewide Communities Development Authority			
Glenborough/Pauls Assessment District	1,521,242	100.000%	1,521,242
Park Broadway Assessment District	\$ 1,471,487	100.000%	1,471,487
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>			<b>\$ 106,594,206</b>

**RATIOS TO 2014 - 2015 ASSESSED VALUATION**

<b>Direct Debt</b> (\$9,375,000)	<b>0.21%</b>
Total Direct and Overlapping Tax Assessment Debt	2.44%

**DIRECT AND OVERLAPPING GENERAL FUND DEBT**

San Mateo County - General Fund Obligations	\$ 460,064,816	2.639%	\$ 12,141,110
San Mateo County Board of Education - Certificates of Participation	10,430,000	2.639%	275,248
<b>City of Millbrae - Pension Obligations</b>	<b>6,977,376</b>	<b>100.000%</b>	<b>6,977,376</b>
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>			<b>\$ 19,393,734</b>

<b>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</b>	<b>\$ 7,205,000</b>	<b>100.000%</b>	<b>\$ 7,205,000</b>
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<b>TOTAL DIRECT DEBT</b>	<b>16,352,376</b>
<b>TOTAL OVERLAPPING DEBT</b>	<b>116,840,564</b>
<b>COMBINED TOTAL DEBT</b>	<b>\$ 133,192,940 (b)</b>

**RATIOS TO ADJUSTED ASSESSED VALUATION**

<b>Combined Direct Debt</b> (\$16,352,376)	<b>0.37%</b>
Combined Total Debt	3.04%

**RATIOS TO REDEVELOPMENT SUCCESSOR AGENCY INCREMENTAL VALUATION (\$760,704,959)**

<b>Total Overlapping Tax Increment Debt</b>	<b>0.95%</b>
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- (a) Percentage of overlapping agency's assessed valuation located within boundaries of the City.  
(b) Excludes Tax and Revenue Anticipation Notes, Enterprise Revenue, Mortgage Revenue, Tax Allocation Bonds and non-bonded Capital Lease Obligations.

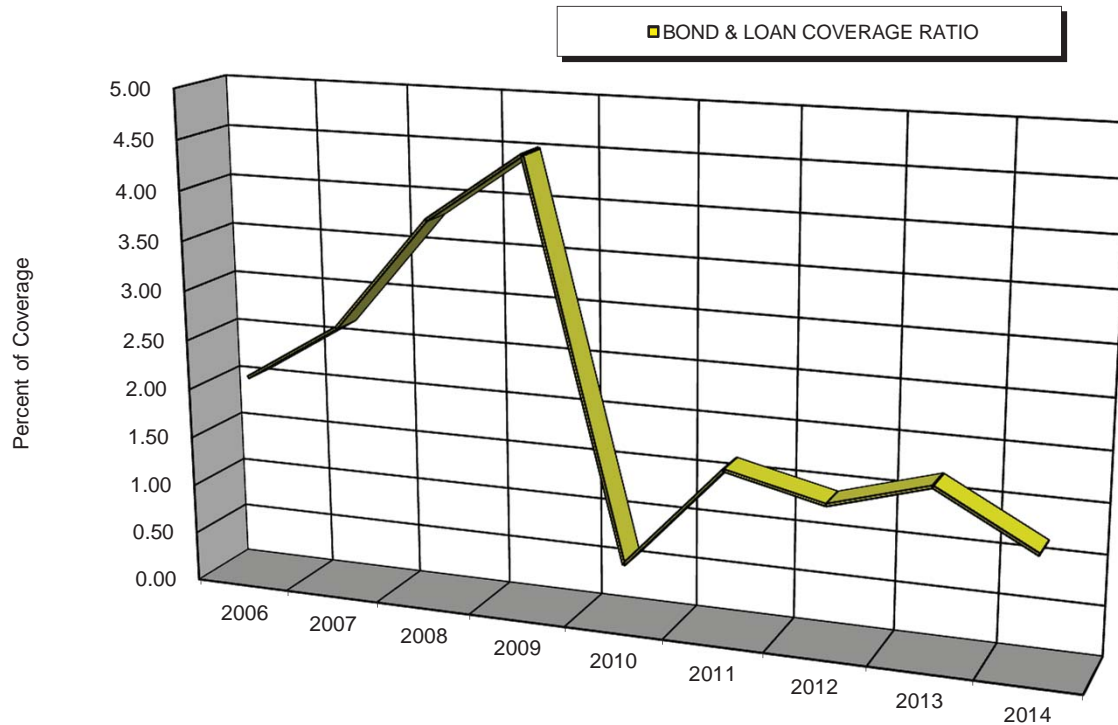
Source: California Municipal Statistics, Inc.





**CITY OF MILLBRAE  
STATISTICS**

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



Fiscal Year	Gross Revenue (a)	Operating Expenditures (b)	Funds Available for Debt Service	Debt Service Requirements			BOND & LOAN COVERAGE RATIO
				Principal	Interest	Total	
2006	4,700,114	3,638,729	1,061,385	200,208	305,745	505,953	2.10
2007	5,385,044	4,026,640	1,358,404	209,830	296,123	505,953	2.68
2008	6,003,855	4,068,482	1,935,373	219,916	286,037	505,953	3.83
2009	7,282,428	4,482,654	2,799,774	229,305	391,884	621,189	4.51
2010	7,697,278	4,984,139	2,713,139	4,206,564	333,777	4,540,340	0.60
2011	8,449,800	4,732,371	3,717,429	1,600,000	657,098	2,257,098	1.65
2012	8,496,612	5,302,863	3,193,749	1,630,000	624,798	2,254,798	1.42
2013	8,730,438	4,774,522	3,955,916	1,458,041	868,456	2,326,497	1.70
2014	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

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

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

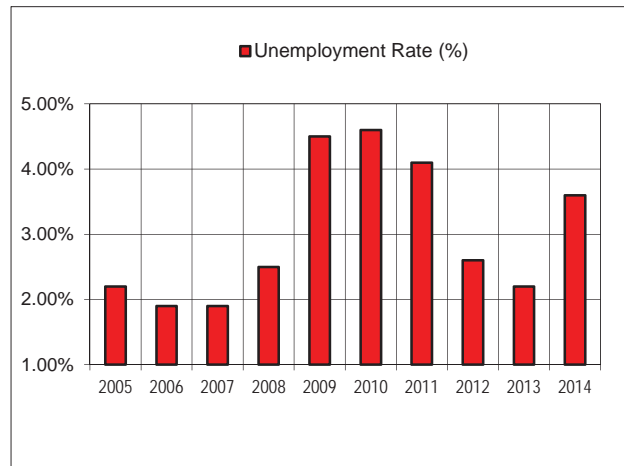
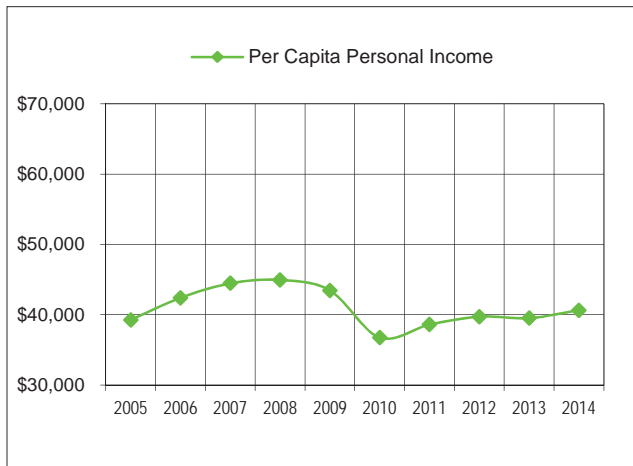
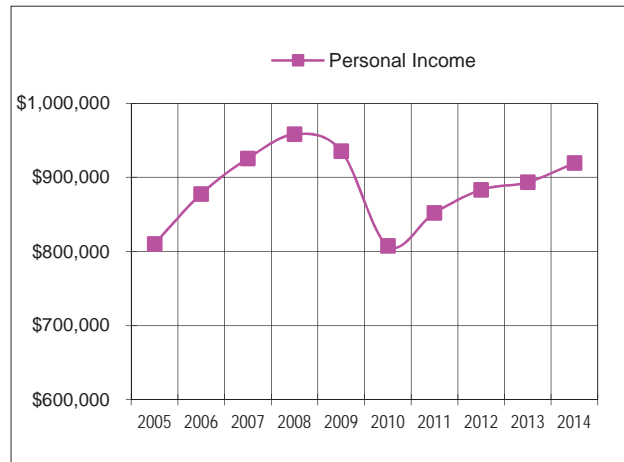
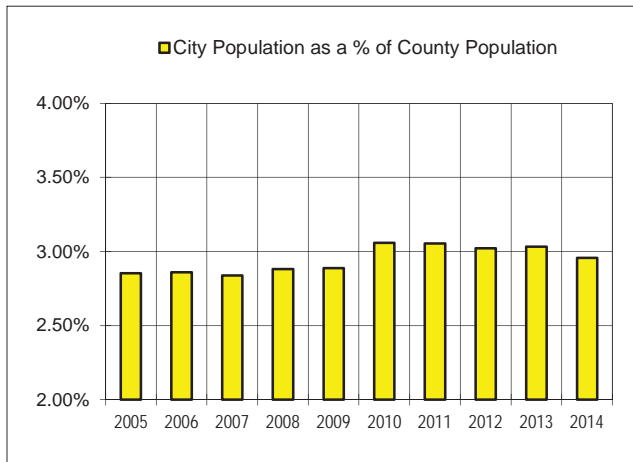
(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**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 (%)
2005	20,636	723,453	2.85%	\$810,273	\$39,265	2.2%
2006	20,703	724,104	2.86%	\$877,713	\$42,395	1.9%
2007	20,810	733,496	2.84%	\$925,544	\$44,476	1.9%
2008	21,311	739,469	2.88%	\$958,075	\$44,957	2.5%
2009	21,531	745,858	2.89%	\$935,529	\$43,450	4.5%
2010	21,968	718,451	3.06%	\$807,390	\$36,753	4.6%
2011	22,069	722,372	3.06%	\$851,952	\$38,604	4.1%
2012	22,228	735,678	3.02%	\$883,230	\$39,735	2.6%
2013	22,605	745,193	3.03%	\$893,576	\$39,530	2.2%
2014	22,617	765,135	2.96%	\$919,313	\$40,647	3.6%

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

## CITY OF MILLBRAE

## STATISTICS

## PRINCIPAL EMPLOYERS

## LAST TEN FISCAL YEARS

Principal Employer	2006			2007			2008			2009			2010			2011			2012			2013			2014			2015			
	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force	Number of Employees	Rank	Percent of City Labor Force				
Westin Hotel																															
Millbrae School District	225	2	2.3%	225	2	2.3%	225	2	2.3%	225	2	2.3%	173	3	1.8%	185	1	1.9%	188	1	1.9%	186	2	1.8%	212	2	1.9%	220	2	1.8%	
A & C Health Care (1)							135	6	1.4%	135	6	1.4%	135	6	1.4%	158	3	1.6%	165	2	1.7%	165	3	1.6%	160	5	1.5%	160	4	1.3%	
San Francisco PUC (2)	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	1	3.1%	300	2	3.1%	150	4	1.6%	150	4	1.5%	156	4	1.5%	300	1	2.8%	247	1	2.0%	
Best Western-El Rancho	168	4	1.8%	168	4	1.7%	168	4	1.7%	168	4	1.8%	150	4	1.6%	135	6	1.4%	147	5	1.5%	143	5	1.4%	149	6	1.4%	146	5	1.2%	
City of Millbrae	133	5	1.4%	135	5	1.4%	135	5	1.4%	144	5	1.5%	141	5	1.5%	143	5	1.5%	105	8	1.1%	119	6	1.2%	112	8	1.0%	99	10	0.8%	
Mills High School (3)	130	6	1.3%	130	6	1.3%	130	7	1.3%	130	7	1.4%	125	7	1.3%	113	7	1.2%	114	6	1.1%	114	7	1.1%	143	7	1.3%	137	6	1.1%	
Magnolia of Millbrae	130	7	1.4%	130	7	1.3%	130	8	1.3%	130	7	1.4%	101	9	1.1%	108	8	1.1%	110	7	1.1%	110	8	1.1%	110	9	1.0%	115	8	0.9%	
Marymount Greenhills Retirement Center																															
Green Hills Country Club													115	8	1.2%																
Lucky																			92	9	0.9%										
Kohl's Department Store																92	9	1.0%	78	10	0.8%										
Walgreens																86	10	0.9%													
Stanwood Resorts	200	3	2.1%	200	3	2.1%	200	3	2.1%	200	3	2.1%	440	1	4.6%																
Millbrae Serra Sanitarium	125	8	1.3%	125	8	1.3%	125	9	1.3%	125	8	1.3%	135	6	1.4%																
Orchard Supply Hardware										100	9	1.0%	100	10	1.0%																
Safeway										100	9	1.0%	100	10	1.0%																
World Journal Inc										98	10	1.0%	100	10	1.0%																
Mervyn's LLC	112	9	1.2%	112	9	1.2%	112	10	1.2%																						
Sprint Communications				100	10	1.0%				100	9	1.0%																			
Albertson's LLC	100	10	1.0%																												
TOTAL	1,623	16.9%	1,625	16.8%	1,660	17.1%	1,955	20.4%	2,115	22.0%	1,330	13.3%	1,313	13.1%	1,338	13.1%	1,668	15.3%	1,549	12.7%											
City Labor Force (4)	9,600		9,700		9,700		9,600		9,600		9,600		10,000		10,200		10,900		12,200												

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

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

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

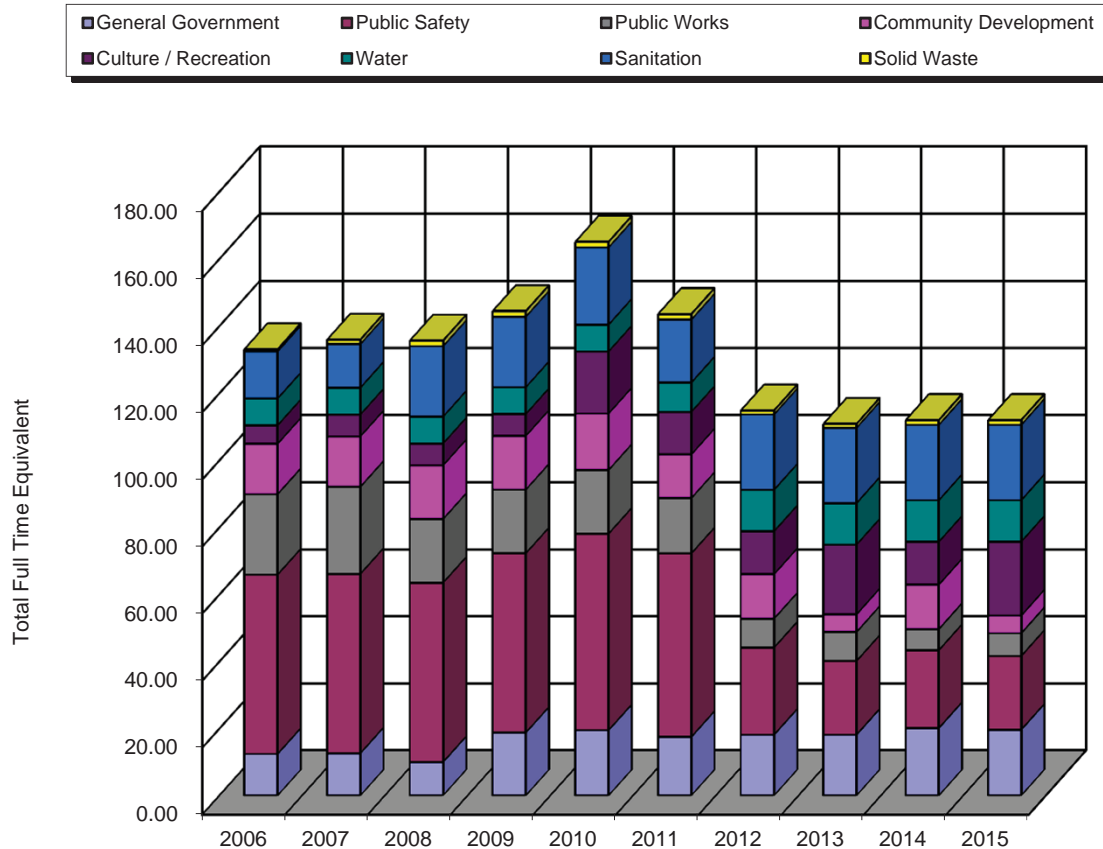
(4) Total City Labor Force provided by State of California Employment Development Department Labor Force Data

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

Sources: MuniServices, LLC  
Selectory / a D & B ProductHdl Companies  
State of Calif

**CITY OF MILLBRAE  
STATISTICS**

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



Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	12.42	12.62	10.00	18.78	19.50	17.50	18.15	18.15	20.15	19.65
Public Safety	53.50	53.50	53.50	53.50	58.63	54.75	26.00	22.00	23.25	22.00
Public Works	24.00	26.00	19.00	19.00	19.00	16.50	8.65	8.65	6.29	6.79
Community Development	15.00	15.00	16.00	16.00	16.80	13.00	13.25	5.25	13.25	5.25
Culture / Recreation	5.50	6.50	6.50	6.50	18.48	12.66	12.79	20.79	12.79	22.04
Water	8.00	8.00	8.00	8.00	8.00	8.75	12.39	12.39	12.39	12.39
Sanitation	14.00	13.00	21.00	21.00	23.00	18.75	22.45	22.45	22.45	22.45
Solid Waste	0.60	1.25	1.60	1.60	1.60	1.60	1.11	1.11	1.37	1.37
<b>TOTAL</b>	<b>133.02</b>	<b>135.87</b>	<b>135.60</b>	<b>144.38</b>	<b>165.01</b>	<b>143.51</b>	<b>114.79</b>	<b>110.79</b>	<b>111.94</b>	<b>111.94</b>

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Safety</b>										
Fire										
Emergency Responses	2,505	2,620	2,620	2,567	2,554	2,764	2,683	2,735	2,680	2,914
Primary Fire Inspections	214	284	261	327	410	527	639	602	388	546
Police										
Police Calls for Service	13,074	19,159	20,175	19,554	20,944	20,706	17,876	14,837	13,924	14,721
Part I and Part II Crimes	1,524	1,219	1,271	1,353	1,369	1,273	1,157	1,367	1,189	1,302
Physical Arrests (adult and juvenile)	691	627	699	732	789	677	576	445	558	735
Traffic Violations	1,744	2,376	1,248	1,817	2,121	2,139	1,834	1,932	1,171	1,601
Parking Violations	5,252	4,391	7,842	8,603	11,154	9,030	5,562	6,707	6,694	5,235
<b>Public Works</b>										
Street Resurfacing (miles)	Data Not Available	2	0	0	1	0	1	0	0	4
Potholes Repaired (square miles)	Data Not Available	0.0000574	0.0000000	0.0000000	0.0007174	0.0009000	0.0008087	0.0004125	0.0009000	0.0010000
<b>Culture and Recreation</b>										
Community Services										
Recreation Class Participants	7,000	8,500	7,121	7,018	6,211	5,443	6,239	6,162	5,305	7,775
Library										
Volumes in Collection	71,000	100,000	110,876	111,447	109,241	109,595	110,550	113,345	105,796	116,959
Total Volumes Borrowed	446,700	503,000	577,350	616,145	633,241	578,739	550,956	548,010	501,348	498,492
<b>Water</b>										
Water Service Connections	6,200	6,437	6,435	6,459	6,474	6,499	6,546	6,549	6,540	6,568
Water Main Breaks	7	7	10	16	17	8	8	11	10	10
Average Daily Consumption (gallons)	2,725,000	2,367,000	2,337,811	2,762,618	2,197,884	2,075,149	2,024,473	2,110,022	2,097,301	1,888,136
<b>Sanitation</b>										
Sewer Service Connections	6,200	6,437	6,437	6,459	6,474	6,499	6,546	6,549	6,560	6,568
Storm Drain Inlets	700	700	700	700	700	700	700	868	868	868
Sewer Main Blockages	62	51	34	10	19	8	6	2	1	6
Average Daily Treatment (gallons)	2,200,000	1,700,000	1,614,055	1,540,800	1,497,600	1,560,602	1,481,000	1,610,000	1,498,000	1,280,000
<b>Solid Waste</b>										
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954	2,900	2,831	2,681	2,817	2,566	2,612

**CITY OF MILLBRAE  
STATISTICS**

**CAPITAL ASSETS BY FUNCTION / PROGRAM**

LAST TEN FISCAL YEARS

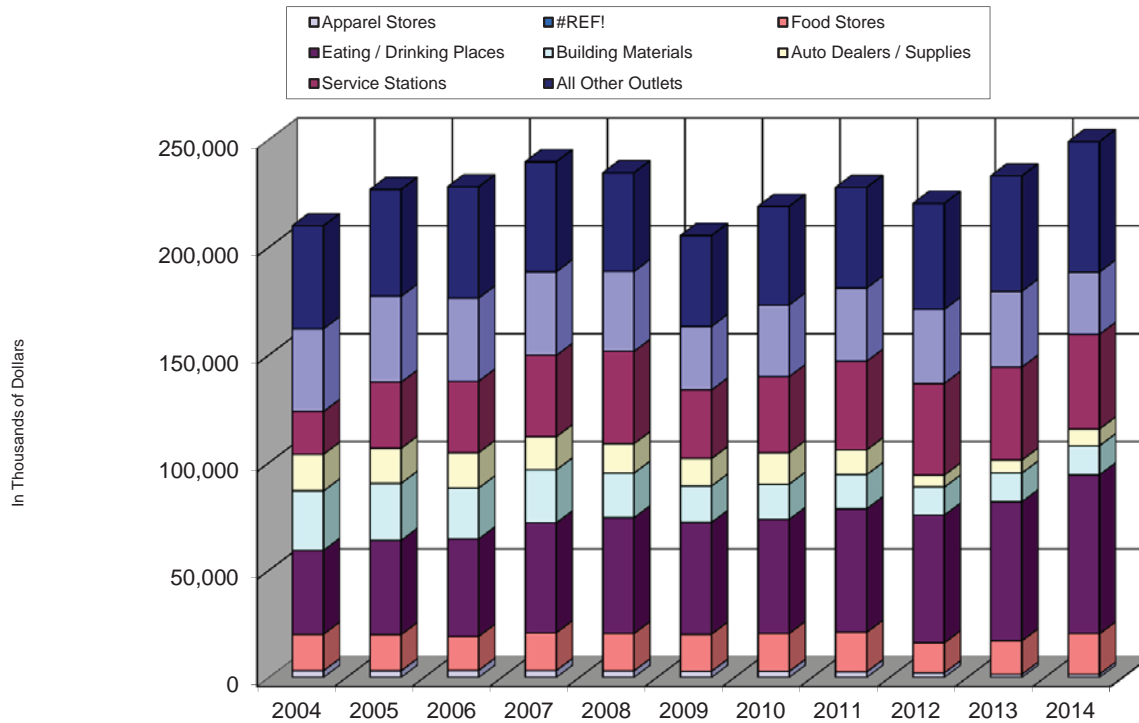
Function / Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Safety</b>										
Fire Station	2	2	2	2	2	2	2	2	2	2
Police Station	1	1	1	1	1	1	1	1	1	1
Police Patrol Unit (a)	17	17	17	17	17	17				
<b>Public Works</b>										
Miles of Streets	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	110 lane miles	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	5	6	5
Roadway Landscaping Acreage	2	2	2	2	2	2	2	2	2	2
<b>Culture and Recreation</b>										
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	1	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	5	9	9
Soccer / Football Field	1	1	1	1	1	1	1	1	3	3
Library										
City Library	1	1	1	1	1	1	1	1	1	1
<b>Water</b>										
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
<b>Sanitation</b>										
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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Apparel Stores	3,142	3,110	3,362	3,270	3,096	2,908	2,824	2,658	2,161	1,514	1,541
Food Stores	17,017	16,839	15,798	17,577	17,331	17,285	17,661	18,376	13,969	15,548	18,784
Eating / Drinking Places	38,931	43,775	45,255	51,069	53,855	51,912	53,037	57,470	59,383	64,662	73,946
Building Materials	27,678	26,585	23,747	24,659	20,745	16,975	16,406	15,883	13,050	13,350	13,548
Auto Dealers / Supplies	17,062	16,273	16,438	15,439	13,689	12,757	14,664	11,493	5,564	6,034	7,803
Service Stations	19,855	30,677	33,195	37,751	42,876	31,819	35,292	41,192	42,601	43,210	43,940
Other Retail Stores	38,439	39,944	38,606	38,851	37,107	29,555	33,299	33,991	34,425	35,255	28,912
All Other Outlets	47,738	49,512	51,539	51,028	45,793	42,110	45,696	46,631	49,141	53,471	60,530
<b>TOTAL</b>	<b>209,862</b>	<b>226,715</b>	<b>227,940</b>	<b>239,644</b>	<b>234,492</b>	<b>205,321</b>	<b>218,879</b>	<b>227,694</b>	<b>220,294</b>	<b>233,044</b>	<b>249,004</b>

Sources: Hdl Companies

State of California Board of Equalization

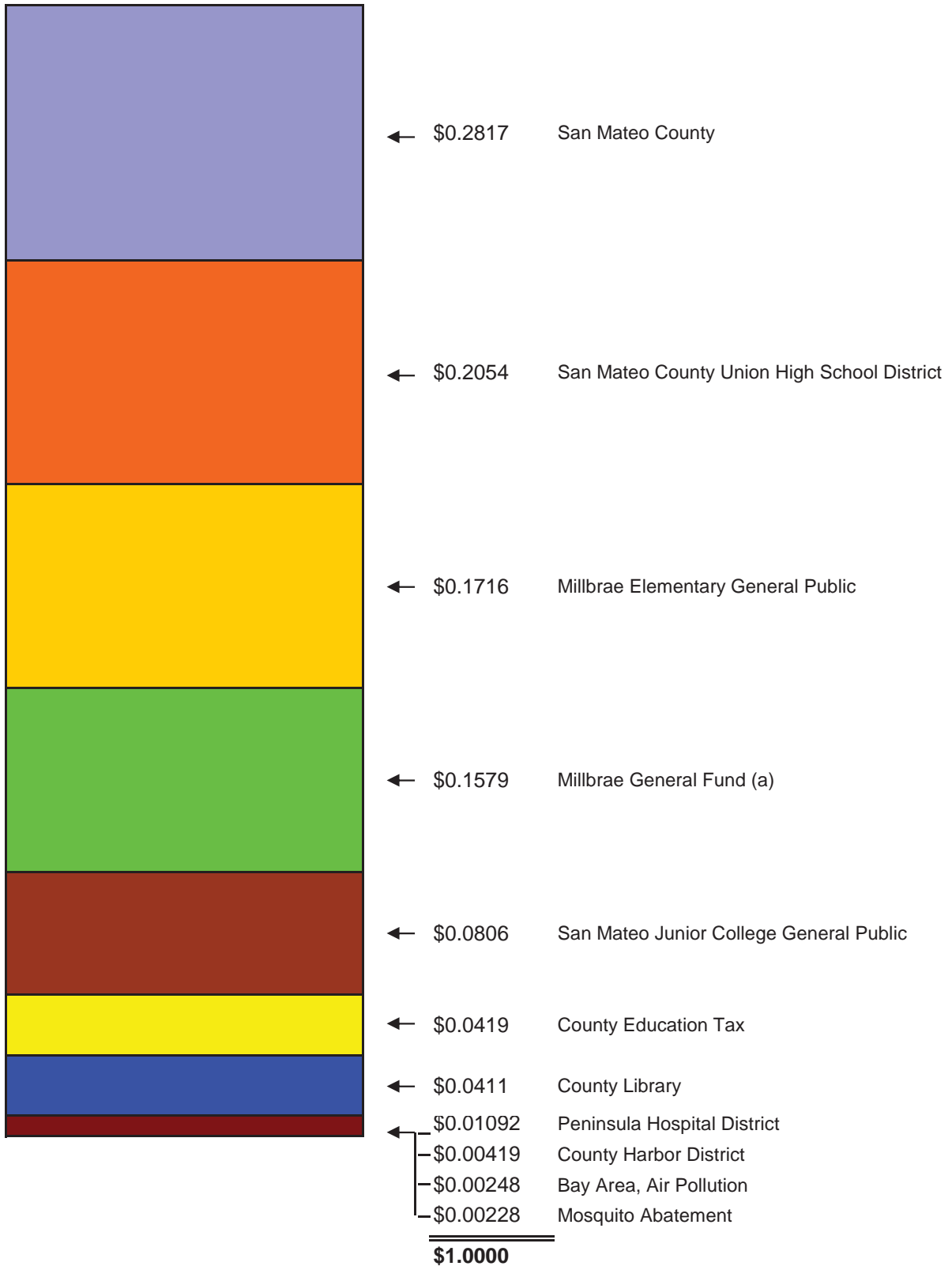
Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available.

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**

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**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>	<b>City of Millbrae</b>
<b>9.00%</b>	<b>Total Sales Tax Allocation</b>

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
<b>City of Millbrae</b>	<b>.75%</b>	<b>\$ 0.75</b>
<b>Total Sales Tax Allocation</b>		<b>\$ 9.00</b>

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