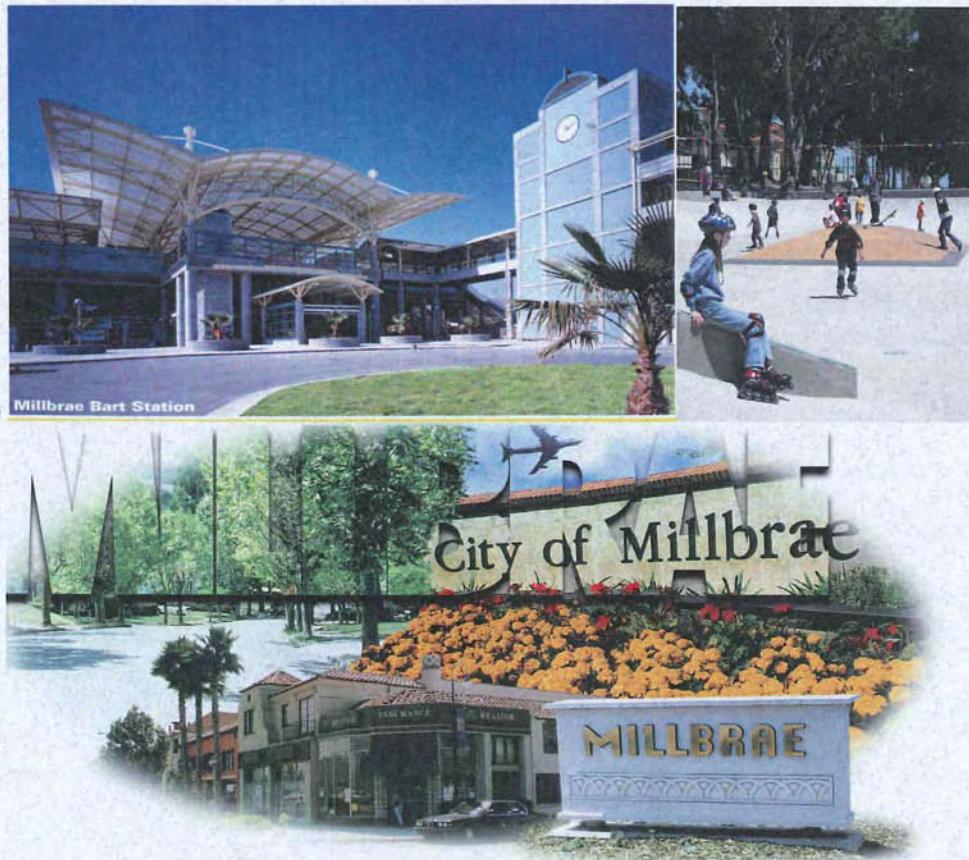




City of Millbrae California

Comprehensive Annual Financial Report



For the year ended
June 30, 2010

CITY OF MILLBRAE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

Prepared by

FINANCE DEPARTMENT



CITY OF MILLBRAE
Comprehensive Annual Financial Report
For the Year Ended June 30, 2010

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City of Millbrae

621 Magnolia Avenue, Millbrae, CA 94030

PAUL SETO
Mayor

DANIEL F. QUIGG
Vice Mayor

MARGE COLAPIETRO
Councilwoman

GINA PAPAN
Councilwoman

NADIA V. HOLOBER
Councilwoman

December 01, 2010

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Millbrae (City). This report presents the financial position and the changes in the financial position for the fiscal year ended June 30, 2010. The basic financial statements and supporting schedules have been prepared in compliance with California Government code Sections 25250 and 25253 and in accordance with Generally Accepted Accounting Principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

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

The City's financial statements have been audited by the independent audit firm of Maze & Associates, a certified public accounting firm. The objective of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2010, are free of material misstatements. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2010. The Independent Auditors' Report is presented as the first item under the Financial Section of this report.

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

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

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

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

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

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

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

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

Respectfully submitted,



LaRae Brown
Finance Director

ATTACHMENT A

GOVERNMENTAL STRUCTURE, LOCAL ECONOMIC CONDITION AND OUTLOOK

The City of Millbrae (City) was founded in 1856, incorporated in 1948 and operates as a General Law City serving a population of over 21,000. The City is located on the California Peninsula, 15 miles south of San Francisco. The boundaries of the City extend roughly from the Bayshore Freeway on the east to Skyline Boulevard on the west. This distance is approximately 1.7 miles. The distance between the north and south City limit line is approximately 2.05 miles.

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



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

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

City Facts and Figures

San Mateo County Seat Established:	1856
Incorporated:	January 14, 1948
Land Area:	3.2 Square Miles
Elevation Low Point:	25 Feet
Elevation High Point:	800 Feet
Average Temperature Low:	42° January
Average Temperature High:	71° September
Population:	21,968
Population Density:	6,473 per square mile
Number of Households:	8,113 – Units (2000 Census)



City Government

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

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

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

City Elections

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

City Services

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

State Economy

Economic readings indicate that the economy has improved—but is in an anemic recovery. The latest labor market news was disappointing. The unemployment rate ticked up, and non-farm employment declined. Real estate markets showed some life, however, with both sales and prices improving.

- California lost 63,600 non-farm jobs in September 2010. However, four major industry sectors added jobs. Leisure and hospitality added 7,400 jobs; financial activities, 5,500; trade, transportation, and utilities, 4,200; and professional and business services, 3,600
- The public sector was the leading source of job losses in September. Government lost 37,300 jobs (32,400 in local government); educational and health services, 13,600; construction, 13,300; information, 11,300; other services, 6,600; manufacturing, 1,900; and mining and logging, 200.
- Non-farm payroll employment fell by 43,700, or 0.3 percent, from September 2009 to September 2010. Employment rose 58,600 in professional and business services; 15,200 in educational and health services; 8,400 in leisure and hospitality; and 600 in mining and logging. Over the year, employment fell by 50,700 in construction; 28,100 in trade, transportation, and utilities; 23,000 in government; 12,000 in manufacturing; 5,000 in other services; 3,900 in information; and 3,800 in financial activities.
- The state's unemployment rate in September was unchanged from August—12.4 percent. The national unemployment rate also held steady in September—9.6 percent. The number of employed Californians increased by 7,000 in September, while the number of unemployed

increased by 10,000. This was the first month-over-month increase in the state's labor force since May.

- New home construction slowed in September, but the year-to-date pace still reflected a significant improvement over last year. Residential permitting overall was down over 15 percent from a year earlier. However, new home permitting during the first nine months of 2010 was up 21.6 percent from the same months of 2009.
- Nonresidential construction slowed for a second consecutive month in September. However, the value of nonresidential permits issued was up almost 15 percent from a year earlier—the fifth consecutive month of year-over-year improvement
- Real estate market readings were conflicted in September—sales improved, prices weakened, and inventories rose. Sales of existing, single-family detached homes totaled 466,580 units at a seasonally adjusted annualized rate in September, up nearly 4 percent from August. Conversely, the median price of existing, single-family homes sold slipped to \$309,900, down 2.7 percent from August.
- The unsold inventory index inched up to 6.2 months in September. The median number of days needed to sell a home jumped to 52.5 days from 47.1 days in August. (Source: California Association of Realtors)

(Source: State of California Department of Finance)

Market @ A Glance						
California	Reporting Period	Current Period	Last Period	Year Ago	Change from Last Period	Change from Year Ago
Existing Home Sales (SAAR)	September-10	466,580	449,290	531,180	3.8%	-12.2%
Median Home Price	September-10	\$309,900	\$318,660	\$296,610	-2.7%	4.5%
Unsold Inventory Index (months)	September-10	6.2	6.1	4.5	1.6%	37.8%
Median Time on Market (days)	September-10	52.5	47.1	33.5	11.5%	56.7%
First-Time Buyer Housing Affordability Index	2010 Q2	64%	66%	67%	-2.0%	-3.0%
30-year fixed-rate mortgage (FRM)*	September-10	4.35%	4.43%	5.06%	-0.08%	-0.71%

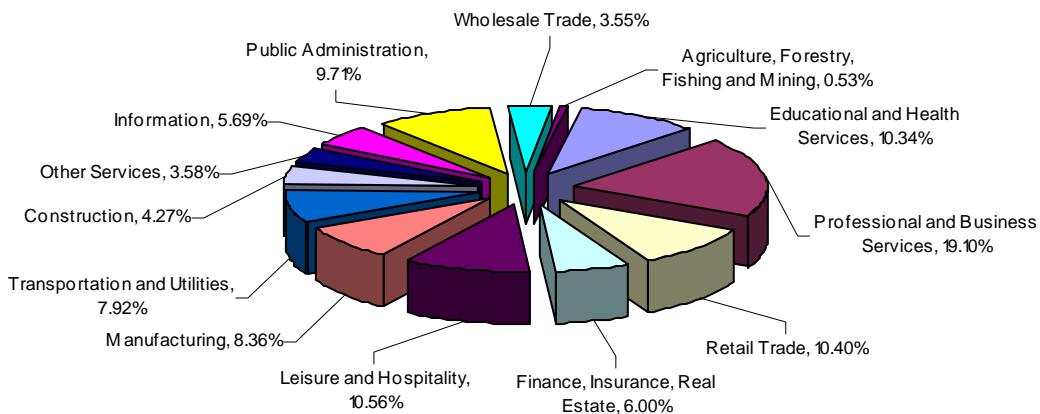
*SOURCE: Federal Home Loan Mortgage Corp.



San Mateo County Economy

The County of San Mateo (County) is one of the nine counties in the San Francisco Bay Area. The County is made up of twenty cities and towns, including Millbrae, and a large unincorporated area that includes La Honda, Pescadero, Montara, Moss Beach, El Granada, and Fair Oaks. The large mountainous part of the County and the San Francisco Airport location are also unincorporated areas. The County occupies 449 square miles on a peninsula bounded by San Francisco to the north, Santa Clara County to the south, San Francisco Bay to the east, and the Pacific Ocean to the west. Though sandwiched between two large urban areas, the County is a pleasant mix of suburban and rural areas. Most of the County's 750,436 residents live in the suburban corridor east of the Santa Cruz Mountains, which bisects the County. The western part of the County remains primarily rural and has some of California's most beautiful coastline. San Mateo is the 14th most populous among California's 58 counties.

San Mateo County Employment by Industry 2009 Average



(Source: San Mateo County / State of California Employment Development Department)

Labor Force: San Mateo County's average labor force was 318,300 and the largest sectors were Professional and Business Services with 60,800 employed followed by, Leisure and Hospitality with 33,600 employed, Retail Trade with 33,100 employed, and Education and Health Services with 32,900 employed.

City of Millbrae

While the global stock market plunge has shown improvement, banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffered significant losses as a result of mortgage payment defaults and mortgage asset devaluation. Although, the City currently enjoys a stable but weakening economic environment and local indicators point to a slow but full recovery, the financial status and budget outlook are continuously monitored.

The City faces significant fiscal challenges that include:

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- As part of the fiscal year 2009-2010 State Budget a trailer bill was passed in July 2009 (ABX4-26) authorizing a property tax revenue transfer from the Redevelopment Agency in the amount of \$247,693 by May 10, 2011. The California Redevelopment Association has filed a lawsuit in Sacramento Superior Court challenging this raid of local Redevelopment Funds
- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation

San Francisco Baykeeper Consent Decree:

On December 2, 2009 San Francisco Baykeeper Corporation (a California non-profit) dedicated to the protection and enhancement of the water quality in the San Francisco Bay, filed suit against the City (Civil Case No.: CV 09-05675 SBA) alleging the City violated the Clean Water

Act for its discharge of pollutants in violation of its National Pollutant Discharge Elimination System (NPDES) waste and storm water permits.

Millbrae denied Baykeeper's allegations that it had violated the Clean Water Act and /or any of the permits as alleged. A Consent Decree was entered into without either adjudication of the Baykeeper claims or admission by Millbrae of any alleged violation or other wrongdoing. This settlement action was taken to avoid the costs and uncertainties of further litigation.

The objectives the Consent Decree are:

- To ensure Millbrae uses, implements, and improves ways, means, and methods to prevent sanitary sewer overflows;
- To ensure Millbrae uses, implements, and improves ways, means, and methods to prevent violations of, or to comply with, applicable permits, laws, and regulations as related to sanitary sewer overflows.

The Consent Decree Fees and Costs:

- Total Payment of \$300,000 to the Rose Foundation to remediate perceived environmental harm resulting from the alleged complaint. Payments shall be made in three equal installments of \$100,000 commencing on November 25, 2010, August 1, 2011 and August 1, 2012.
- Litigation and Compliance Monitoring fee of \$225,000 payable to the "Lawyers for Clean Water Attorney Client Trust" due on November 25, 2010.
- Establishment of a dedicated fund in the amount of \$225,000 for the replacement of private sewer lines that connect more than one dwelling to a City Sewer main line and low impact development projects.

ATTACHMENT B

MAJOR INITIATIVES FOR THE YEAR

Wastewater Treatment Plant Renovation

The City's Waste Water collection system and treatment plant renovation project is underway. New, up-to-date treatment technology that is more energy efficient and capable of meeting increasingly stringent Federal, State, and local clean water regulations will replace deteriorated and obsolete plant equipment and components. The total project budget is \$35 million.

- The City purchased 1.3 acres of land adjacent to the renovation project from California Department of Transportation. This site will be utilized for the construction of a 1.2 million gallon underground waste water holding tank and the new operations building
- On April 8, 2009 the City awarded URS Corporation the construction management oversight contract. The contract is \$2.8 million
- The City secured a loan in the amount of \$34 million from the California State Revolving Fund to finance the renovation project. Draws on the State Loan accrue interest at the rate of 1% per annum. Accrued interest will be added to the principal balance of the Loan. Loan repayment commences 12 months after Project completion. The Loan will be repaid over 20 years in equal annual payments
- On September 22, 2009 the City awarded West Bay Builders of Novato the construction contract for the Waste Water plant renovation project. The contract is \$20.5 million.

Street Repair Projects

The City received Federal American Recovery and Reinvestment Act (ARRA) funds of \$382 thousand to completed the paving of Broadway and Magnolia Avenue. The project was completed in March 2010.

The City installed a "in-pavement lighted crosswalk" at the intersection of Richmond and Geraldine. This is the first of it kind in the City.

Fire Services Merger

The cities of Millbrae, Burlingame, San Bruno and the Town of Hillsborough retained Citygate Associates, LLC to conduct a feasibility and implementation-level analysis of merging their fire services to gain economies of scale and improved services in these challenging economic times. The study found there is currently a significant and beneficial sharing of fire service among the agencies, and should a consolidation be pursued, it would eventually produce a fully consolidate, right-sized, sub-regional fire agency that is the best long-term alternative for efficiency and effectiveness. A consolidation would allow a more effective use of personnel, especially in filling daily vacancies, and could provide support staff specialization that a small agency cannot achieve, and would allow "growing" future Chief Officers for effective succession planning.

The study also identified several technical issues and given the complexity of the issues in a multiple-city and fire department merger, the policy leaders are now reviewing and absorbing the report.

Law Enforcement Services Analysis

The cities of Millbrae, and San Bruno who currently share a Police Chief, commissioned the Municipal Resource Group LLC to conduct an evaluation of opportunities for cooperative law enforcement services, and identify practical strategies to maintain and enhance law enforcement services, while containing or potentially reducing costs. The scope of the evaluation included (1) a fully consolidated department through a Joint Powers Agreement, (2) a City to City contract for all law enforcement services, (3) a City to City contract for specific law enforcement services. The evaluation identified several technical issues and given the complexity of the issues the policy leaders are now reviewing and absorbing the report.

Redevelopment Agency

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

- The Agency executed a Field License Agreement with the Millbrae School District for fifteen years with a three year renewal option. The agreement included the renovation of the athletic fields and the maintenance and operation of Taylor, Green Hills, Spring Valley, Lomita Park and Meadows Schools. The renovation project was completed in October 2010.
- The Park Broadway condominium project, 110 residential units including 11 live work lofts, has been completed and a majority of the units are sold. The Agency provided eight (8) low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency established equity sharing with the homebuyers, restricted resale prices, and has first right of refusal to repurchase the units.
- The 88 South Broadway residential project has been completed. The Agency provided ten (10) low and moderate-income homebuyers, homeownership opportunities, utilizing the Low and Moderate Income Housing Funds. The Agency established equity sharing with the homebuyers, restricted resale prices, and has first right of refusal to repurchase the units.
- The Millbrae Paradise (formerly Belamor) condominium project is under construction with 143 residential units and 22,000 square feet of retail space. The Agency will consider executing an option and regulatory documents for low and moderate income units similar those done at 88 South Broadway and Park Broadway.
- In fiscal year 2007-2008 the Agency working with BRIDGE Housing acquired the Dolores Lia residential property of 27 apartment units on El Camino Real. BRIDGE Housing will own, operate and convert the project to condominiums, for sale to low and moderate income homebuyers. Due to the current economic climate the conversion project has been postponed and the units are currently rented to low and moderate income tenants.

ATTACHMENT C

FINANCIAL INFORMATION

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

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

Budget Process and Controls

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

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

Cash Management Policies and Practices

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

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, the majority of deposits are either insured by Federal Depository Insurance or collateralized. Nearly all investments held by the City at June 30, 2009, are classified in the category of lowest custodial credit risk as defined by the Government Accounting Standards Board (GASB).

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

1. Safety
2. Liquidity, and
3. Yield

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

Risk Management

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

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

ATTACHMENT D

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Millbrae for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Millbrae has received a Certificate of Achievement for sixteen (16) consecutive years. We believe this CAFR continues to meet the Certificate of Achievement Program requirements, and we are submitting this report for consideration to GFOA to determine eligibility for another certificate.

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

DIRECTORY OF CITY OFFICIALS

MAYOR

Paul Seto

MEMBERS OF THE CITY COUNCIL

Daniel F. Quigg

Marge Colapietro

Gina Papan

Nadia V. Holober

COUNCIL APPOINTED OFFICERS

Marcia Raines

City Manager

Joan Cassman

City Attorney

AGENCY AND DEPARTMENT DIRECTORS

Angela Louis

City Clerk

Leslie Parks

Community Services Director

LaRae Brown

Finance Director

Dennis Haag

Fire Chief

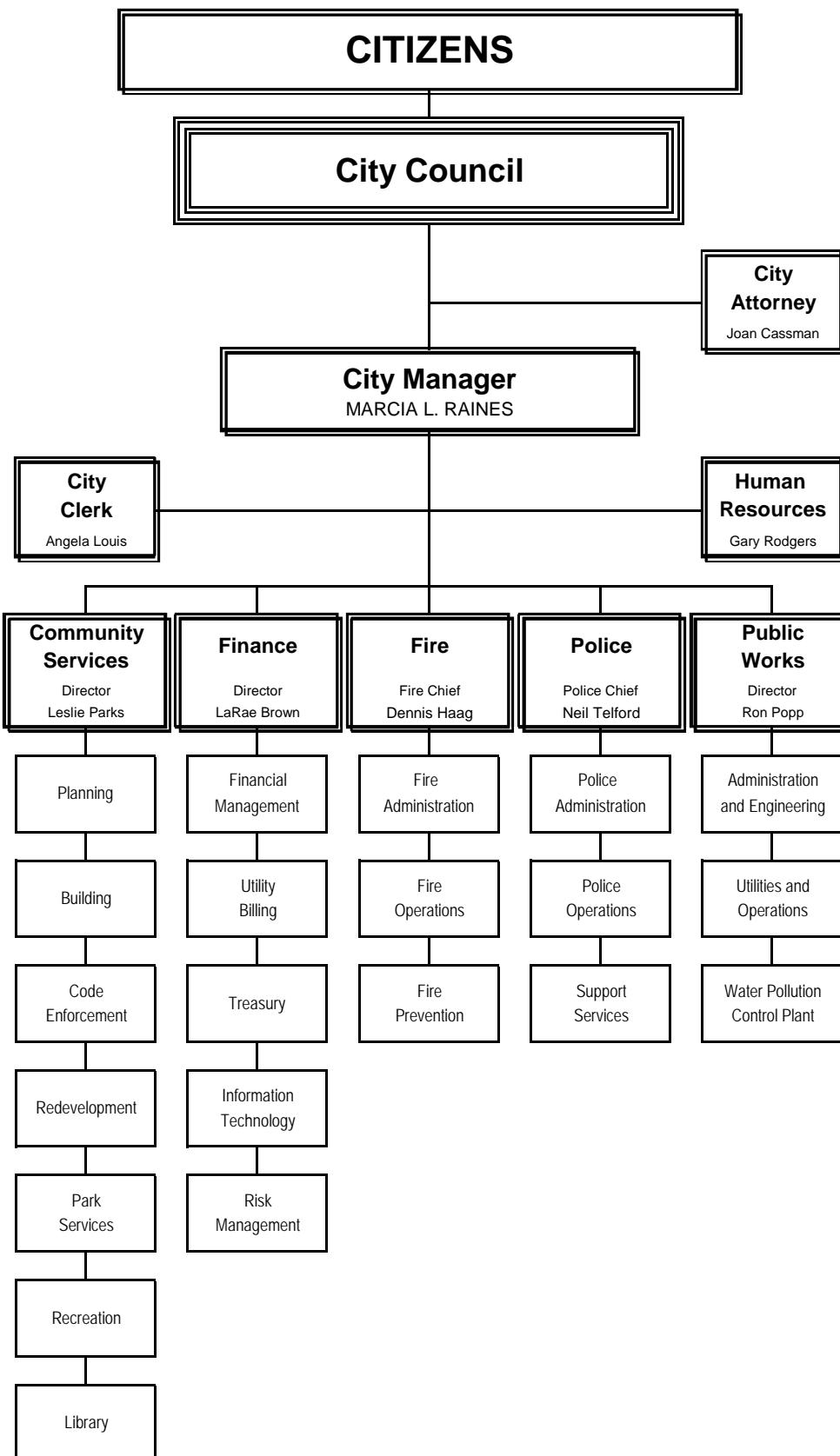
Neil Telford

Police Chief

Ron Popp

Public Works Director

ORGANIZATION CHART





City of Millbrae

Our Values

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

- **Quality:**

We will produce nothing less than superior, high quality products and services. The public and our colleagues deserve nothing less.

- **Customer Service:**

Service to people is what we're about. We will provide products and services which meet the changing needs of the community. We will always provide services with respect, courtesy, warmth and responsiveness

- **Integrity and Honesty:**

Honesty, openness, fair-dealing and the highest ethical behavior are the foundation for our work

- **Innovation:**

We encourage our colleagues and the public to suggest new ideas for improving our products and services, and for doing things more efficiently and effectively

- **Teamwork:**

Teamwork is each of us working together to reach a common goal. Teamwork is accomplished when each member contributes their unique abilities, actively communicates and supports each other

- **Colleagues:**

We recognize, from managers to line workers, we are colleagues working toward a common goal, accomplishment of the City's overall mission. Each of us should share in the City's success which we make possible

- **Pride and Enjoyment In Our Work:**

We believe our work should be a source of personal enjoyment and satisfaction. We accept the challenge to promote a work place in which pride, personal enjoyment, and satisfaction can flourish

- **Action Orientation:**

We are an organization which is decisive. We will act without delay, after considering alternative and implications. We are proud of our ability to respond quickly and effectively to emergencies and changing priorities

- **Citizen Participation:**

We are committed to keeping the public informed by using a variety of communication networks. Effective public policy depends on achievement of community consensus

- **Cultural Diversity:**

The world in which we live is always changing. We recognize the need to adapt to meet all new challenges within our community and surrounding region. We will be sensitive to the differing cultural and personal needs of our community

- **Legal Responsibility:**

We accept the challenge to actively participate in legislative activities; supporting that with which we agree and opposing that with which we disagree. We will endeavor to know and comply with all Federal and State mandates

- **Regional Responsibility:**

Our City is a part of a large, interdependent metropolitan area. We will actively participate in regional planning to serve the best interests of our City and the region

- **Planning:**

We are a forward-looking organization, continuously assessing trends and developments which will impact our Mission. We seek to satisfy current needs in a manner which helps obtain our long-range goals



City of Millbrae

Our Purposes

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

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

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

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

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

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

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

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

- ***Economic Prosperity:***

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

- ***Environmental Protection:***

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

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

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

Certificate of Achievement for Excellence in Financial Reporting

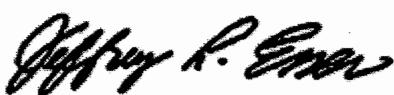
Presented to

City of Millbrae
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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




President

Executive Director



ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Millbrae, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Millbrae's at June 30, 2010 and the results of its operations and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the Untied States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2010, on our consideration of the City of Millbrae's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 9C, the City reduced its beginning fund balance and net assets in the amount of \$382,000.

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

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

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

Maze & Associates

December 1, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's Financial Statements, the related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's cumulative governmental funds balance declined \$1.7 million (-8.34%) to \$19.0 million compared to \$20.73 million for the prior fiscal year.
- The City determined that Grant revenue of \$382,000 recognized in the prior fiscal year (2008-2009) under Other Governmental Funds should have been recognized in the current fiscal year (2009-2010). Consequently, the City reduced the Other Governmental Funds beginning fund balance; and governmental activities beginning net assets by \$382,000.
- The City's total assets exceed its total liabilities by \$77.3 million as of June 30, 2010, compared to \$78.2 million at June 30, 2009. This represents an overall decrease of \$885 thousand (-1.1%) consisting of a decrease of \$2.0 million in governmental and an increase of \$1.1 million in business type activities.
- The City has secured a loan in the amount of \$28.4 million from the California State Revolving Fund to fund the Waste Water Treatment Plant renovation project. Draws on the State loan accrue interest at the rate of 1% per annum. Accrued interest will be added to the principal balance. The loan will be repaid over 20 years and repayment commences 12 months after project completion.
- The City issued 2009 Wastewater Revenue Certificates of Participation, Series A and Series B in the amount of \$15.8 million for renovation and modernization of the City's wastewater treatment facilities as well as to retire existing long term debt of 2008 Wastewater Revenue Notes and 2005 bank note installment sale agreement.
- As part of the State Budget for 2009-10, ABX4-26 was passed authorizing the two-year shift of the property tax increment from Redevelopment Agencies to fund the Supplemental Education Revenue Augmentation Fund (SERAF). The City of Millbrae Redevelopment Agency paid \$1.2 million under this requirement during fiscal year 2009-2010. The Agency is required to pay approximately \$248 thousand by May 10, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

City of Millbrae Comprehensive Annual Financial Report (CAFR)

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

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

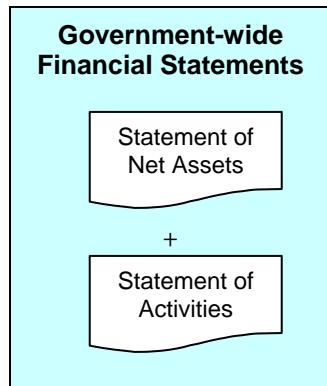
The Fund Financial Statements report the City's operations in detail and the focus is primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues, expenditures, fund balance, and exclude capital assets, and long-term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

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

	Government-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Entity	The day to day operating activities of the City for Governmental Services	The day to day operating activities of the City, for Business-type enterprises
Basis of Accounting	Accrual	Modified Accrual	Accrual
Accounting Method	All Revenues and Expenses are recorded, regardless of when the Cash transactions occur	Revenue is recorded when Cash is received, Expenditures are recorded when services or supplies have been received and the liability is due and payable	All Revenues and Expenses are recorded, regardless of when the Cash transactions occur
Measurement Focus	All Economic Resources	Current Financial Resources	All Economic Resources
Type of Asset and Liability Information	All Assets, Capital, 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 Assets; and 2) Statement of Activities. Both are designed to provide readers a broad overview of the City's financial activities and position, in a manner similar to the financial statements for a private-sector company.



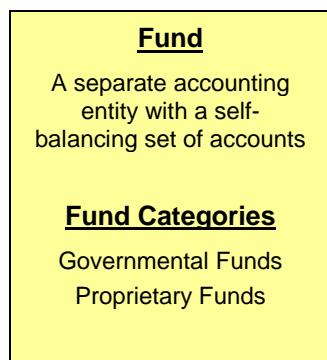
The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of an improving or deteriorating financial position.

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

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

Fund Financial Statements

The Fund Financial Statements are designed to report information about groups of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives in accordance with special regulations, restrictions, or limitations. A fund is a separate accounting entity with a self-balancing set of accounts. The City, like other State and Local Governments, utilizes fund accounting to ensure and demonstrate finance related legal compliance. All of the Funds within the City can be divided into the following two categories: Governmental Funds and Proprietary 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 has been established by criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, (GASB 34)" and represent the major activities of the City for the year. Major Funds include: the General Fund, Special Revenue Funds, Capital Projects, Debt Service, and the City of Millbrae Redevelopment Agency (RDA) as a blended component unit. Major Funds are presented individually, while the activities of Non-Major Funds are presented in summary. Non-Major Fund detailed activity is provided in the form of combining statements elsewhere in this report. Major Funds may change from year to year as a result of changes in the City's activities.

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

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

Proprietary Funds

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

Enterprise Funds

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

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

Internal Service Funds

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

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

Notes to the Basic Financial Statements

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

Required Supplemental Information

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

Other Information

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

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

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

During the current fiscal year, the City restated the beginning net assets. (See Note 9C for more information). Therefore, prior year comparative information has been reclassified to conform to the current period's presentation.

As shown in the table below, the City's assets exceeded liabilities by \$77.3 million as of June 30, 2010 compared to \$78.2 million at June 30, 2009. This represents a 1.1% decrease. Net assets decreased by approximately \$2.0 million in governmental activities; while those from business-type activities increased by \$1.1 million. The change in governmental activities primarily reflects a \$1.4 million decrease in capital assets net of depreciation due to depreciation expense. The change in business type activities is primarily attributed to the increase in capital assets and cash as a result of the issuance of new debt in Wastewater Treatment Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

June 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current and other Assets	42,557,493	42,236,033	14,034,597	9,942,072	56,592,090	52,178,105
Capital Assets	60,210,937	61,640,411	28,858,122	20,609,107	89,069,059	82,249,518
TOTAL ASSETS	102,768,430	103,876,444	42,892,719	30,551,179	145,661,149	134,427,623
LIABILITIES						
Short-Term Liabilities	2,708,038	2,176,137	2,200,303	4,206,564	4,908,341	6,382,701
Long-Term Liabilities	39,049,320	38,875,069	17,352,704	5,779,389	56,402,024	44,654,458
Other Liabilities	4,292,348	4,097,043	2,722,924	1,072,894	7,015,272	5,169,937
TOTAL LIABILITIES	46,049,706	45,148,249	22,275,931	11,058,847	68,325,637	56,207,096
NET ASSETS						
Investment in Capital Assets net of related Debt	47,155,335	48,838,998	11,540,689	10,942,939	58,696,024	59,781,937
Restricted Net Assets:						
Capital Projects	35,083	35,083			35,083	35,083
Debt Service	6,382,058	6,143,437			6,382,058	6,143,437
Redevelopment	2,155,339	2,109,769			2,155,339	2,109,769
AB 2928 Grant	1,009,128	1,098,967			1,009,128	1,098,967
Gas Tax	545,801	536,486			545,801	536,486
Developer Fee - Operating	2,044,103	4,058,646			2,044,103	4,058,646
Measure A	1,048,911	735,669			1,048,911	735,669
Unrestricted	(3,657,034)	(4,828,860)	9,076,099	8,549,393	5,419,065	3,720,533
TOTAL NET ASSETS	56,718,724	58,728,195	20,616,788	19,492,332	77,335,512	78,220,527

The largest portion of the City's net assets reflects its \$58.7 million (75.9%) investment in capital assets (e.g. land, buildings, and equipment); less any related outstanding debt used to acquire those assets. This is a decrease of \$1.1 million over prior year end balance of \$59.8 million. 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 this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay those liabilities.

Restricted Net Assets of \$13.2 million (17.1%) represents resources that are subject to external restrictions as to how they may be utilized. The Unrestricted Net Assets deficit of \$3.7 million in Governmental Activities is primarily attributed to long-term debt, thereby not requiring liquidation of current assets. At the end of the Fiscal Year 2009-2010, the City had positive balances in all three categories of Net Assets, both for the Government as a whole, as well as for its separate Governmental and Business-type Activities.

CHANGE IN NET ASSETS

June 30, 2010

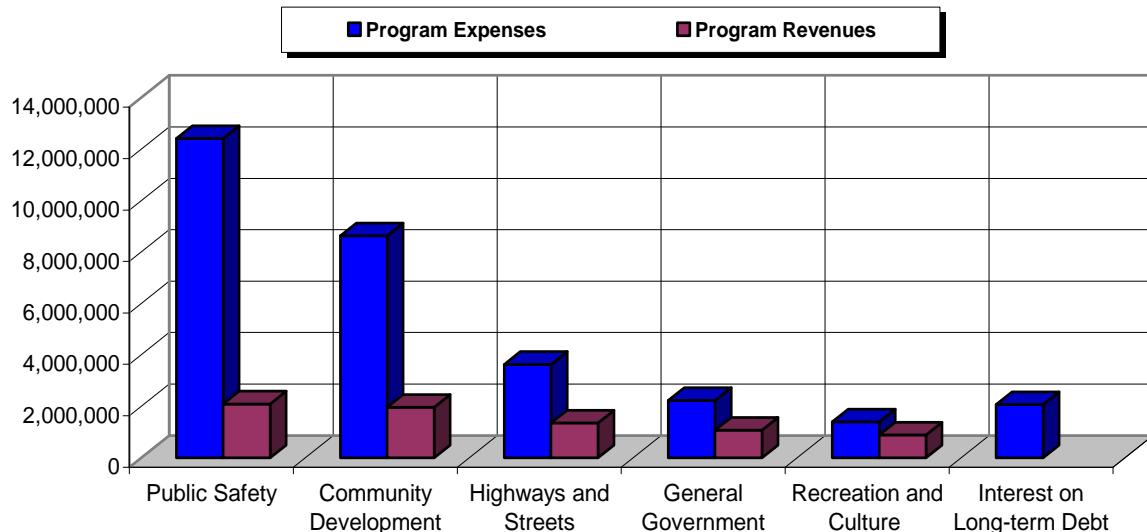
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES						
Program Revenue:						
Charges for Service	6,214,328	8,675,879			6,214,328	8,675,879
Operating Contributions and Grants	1,150,383	1,329,444			1,150,383	1,329,444
Municipal Water System			5,418,643	5,705,477	5,418,643	5,705,477
Waste Water Treatment			7,485,901	6,437,268	7,485,901	6,437,268
Storm Drain			228,809	233,057	228,809	233,057
General Revenue:						
Property Taxes	7,987,727	7,643,109			7,987,727	7,643,109
Incremental Property Tax	5,460,932	5,454,341			5,460,932	5,454,341
Sales Tax	1,974,439	2,370,481			1,974,439	2,370,481
Transient Occupancy Tax	2,864,960	2,807,377			2,864,960	2,807,377
Franchise Tax	1,040,187	947,257			1,040,187	947,257
Other Taxes	593,871	546,622			593,871	546,622
Motor Vehicle In-Lieu	63,485	72,790			63,485	72,790
Investment Earnings	332,314	(190,316)	133,202	26,091	465,516	(164,225)
Miscellaneous	281,271	251,216	(311,219)	829,898	(29,948)	1,081,114
TOTAL REVENUES	27,963,897	29,908,200	12,955,336	13,231,791	40,919,233	43,139,991
EXPENSES						
General Government	2,231,501	2,136,800			2,231,501	2,136,800
Public Safety	12,406,169	11,699,838			12,406,169	11,699,838
Highway and Streets	3,626,266	4,092,505			3,626,266	4,092,505
Recreation & Culture	1,384,044	1,535,138			1,384,044	1,535,138
Community Development	8,631,791	6,931,259			8,631,791	6,931,259
Interest on Long-Term Debt	2,061,304	2,081,610			2,061,304	2,081,610
Municipal Water System			4,897,482	4,445,889	4,897,482	4,445,889
Waste Water Treatment			6,068,770	5,635,264	6,068,770	5,635,264
Storm Drain			496,921	384,929	496,921	384,929
TOTAL EXPENSES	30,341,075	28,477,150	11,463,173	10,466,082	41,804,248	38,943,232
Excess Before Transfers	(2,377,178)	1,431,050	1,492,163	2,765,709	(885,015)	4,196,759
Transfers	367,707	(491,429)	(367,707)	491,429		
CHANGE IN NET ASSETS	(2,009,471)	939,621	1,124,456	3,257,138	(885,015)	4,196,759
Revised Net Assets at Beginning of Year	58,728,195	57,788,574	19,492,332	16,235,194	78,220,527	74,023,768
NET ASSETS AT YEAR END	56,718,724	58,728,195	20,616,788	19,492,332	77,335,512	78,220,527

Analysis of the Changes in Net Assets

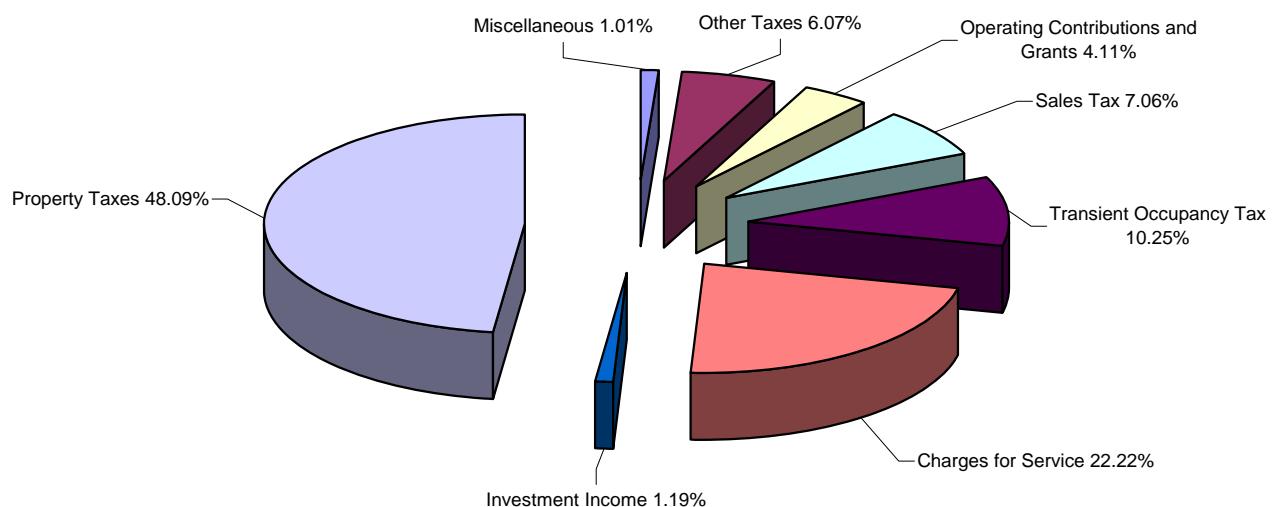
As shown in the table above the City's overall Change in Net Assets was \$885 thousand for fiscal year 2009-2010. The Net Assets at year end for Governmental Activities of \$56.7 million represents a 3.42% decrease over the prior year restated total of \$58.73 million. The City's Business-type Activities year end Net Assets total of \$20.62 million represents a 5.77% increase over the prior year total of \$19.49 million.

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

Governmental Activities PROGRAM EXPENSES AND PROGRAM REVENUES



Governmental Activities REVENUES BY SOURCE



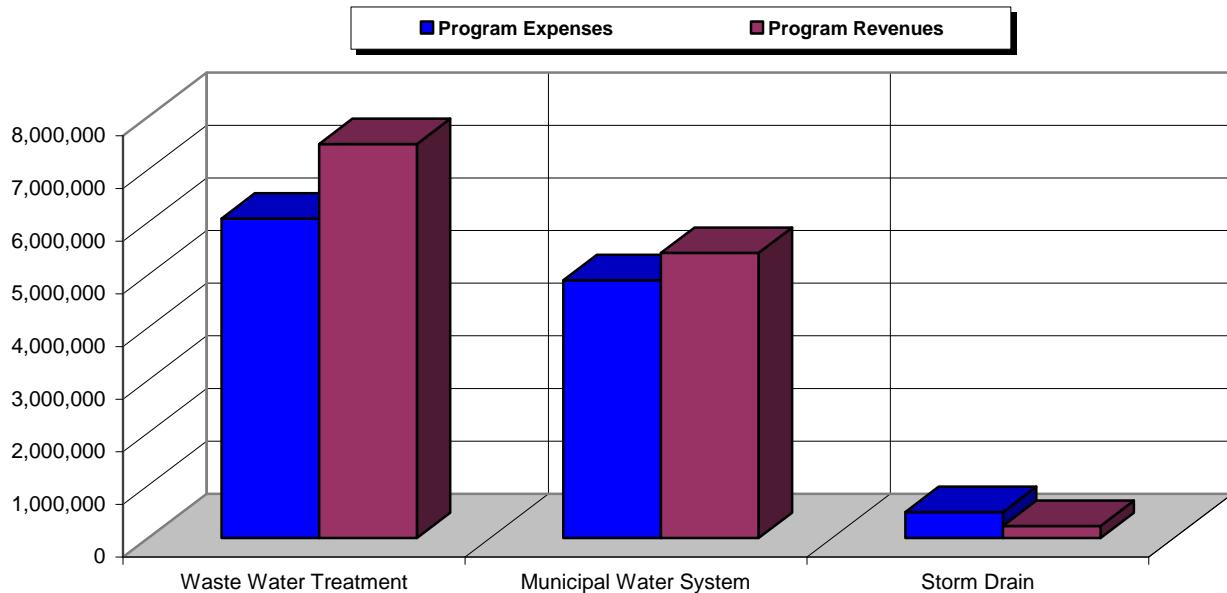
Governmental Activities decreased the City's total Net Assets by \$2.0 million to \$56.72 million during fiscal year 2009-2010, compared to an increase of \$900 thousand during fiscal year 2008-2009. Key factors contributing to the variance from the prior year are as follows:

- Overall, Governmental Activities revenue decreased by approximately \$1.94 million and, and expenses increased by \$1.86 million. This resulted in a net asset decrease of \$2.4 million before transfers at the end of fiscal year 2009-2010.
- Property Tax revenue increased \$351 thousand (2.68%) during this fiscal year as a result of increases in property valuations.
- Sales Tax declined \$396 thousand (-16.71%) while Transient Occupancy Tax saw a slight increase of \$58 thousand (2.05%) during this fiscal year.
- Charges for Services decreased \$2.5 million (-28.37%) and reflect a decrease in Engineering, Planning, and Building activity due to the decline in the economy.
- Investment Earnings increased by \$523 thousand (274.61%) from the prior fiscal year. The major factor for this variance is the investment loss that was recognized in the prior fiscal year due to the bankruptcy of Lehman Brothers.

The charts shown previously illustrate the City's Governmental Expenses and Revenues by Program, and Revenues by Source. As shown, Public Safety has the largest program expenses at forty one percent (40.89%), followed by Community Development at twenty eight percent (28.45%), Highways and Streets with twelve percent (11.95%), General Government at seven percent (7.35%) and Culture and Recreation with five percent (4.56%).

General Revenues such as property tax, business tax, and sales tax are not shown by Program, but are used to support program activities citywide. For Governmental Activities, Property Taxes were the largest single source of funds (48.09%) followed by Charges for Service (22.22%) and Other Taxes (23.38%) (Transient Occupancy 10.25%; Sales Tax 7.06%; and Other Taxes 6.07%), in fiscal year 2009-2010.

Business-type Activities PROGRAM EXPENSES AND PROGRAM REVENUES



Business-type Activities increased the City's total Net Assets by \$1.12 million to \$20.62 million during fiscal year 2009-2010, compared to the increase of \$3.26 million during fiscal year 2008-2009. Key factors contributing to the increase from the prior year are as follows:

- Although Business-type Activities revenue decreased by \$276 thousand, and expenses increased by \$997 thousand compared to those in prior year, overall the revenues exceeded the expenditures by \$1.5 million before transfers resulting in a net asset increase.
- Waste Water Treatment revenue increased \$1.1 million (16.29%) as a result of an increase in rates and ongoing active delinquent collections. Expenses within the Waste Water Treatment increased by \$434 thousand (7.69%) during this fiscal year. The major reason of the increase was due to higher interest expense as a result of the issuance of the new long term debt.
- Municipal Water System revenue decreased by approximately \$286 thousand (5.03%) due to the decrease in consumption. Expenses within the Municipal Water System increased by \$451 thousand (10.16%) during this fiscal year due to approximately fifteen percent (15%) increase in wholesale water costs.
- Storm Drain revenues decreased by \$4 thousand dollars (-1.82%) due to delinquent property tax payments, and expenses increased by \$112 thousand (29.09%) due to the on going increase in repair and maintenance costs.

The chart shown previously illustrates the City's Business-type Activities Expenses and Revenues by Program. As shown, Waste Water Treatment has the largest program expenses at fifty three percent (52.94%), followed by the Municipal Water System at forty three percent (42.72%) and Storm Drain with four percent (4.33%). Waste Water Treatment had the largest program revenue at fifty seven percent (57.0%), followed by the Municipal Water System at forty one percent (41.26%) and Storm Drain with two percent (1.74%)

General Revenues such as Investment Earnings and Miscellaneous Revenues (Expense) are not shown by Program, but are used to support Business-type activities. For Business-type Activities, Investment Earnings were \$133 thousand which is an increase of \$107 thousand (410.53%) from the prior fiscal year. The major factor for this variance is the investment loss recognized in the prior fiscal year due to the bankruptcy of Lehman Brothers. The Miscellaneous Revenue (Expense) negative amount of -\$311 thousand includes the Consent Decree settlement expense of \$525 thousand pertaining to the Civil lawsuit filed by the San Francisco Baykeeper Corporation (a California non-profit) alleging the City had violated the Clean Water Act for its discharge of pollutants. A Consent Decree was entered into without either adjudication of the Baykeeper claims or admission by Millbrae of any alleged violation or other wrongdoing. This settlement action was taken to avoid the costs and uncertainties of further litigation.

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, Unreserved 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.

As noted earlier, the City restated beginning fund balance for the other Governmental Funds by \$382,000. At the end of fiscal year 2009-2010 the City's Governmental Funds reported a combined ending Fund Balance of \$19.00 million, a decrease of \$1.7 million (-8.34%) over the prior year revised ending balance of \$20.7 million.

Comparative Analysis of Changes in Governmental Fund Balances

The following table presents a summary of revenues and other financing sources, expenditures and other financing uses, and the net change in fund balance for Governmental Funds at fiscal year end 2010 and the previous fiscal year end, 2009.

Governmental Funds
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
June 30, 2010

	Revenues and Other Financing Sources		Expenditures and Other Financing Uses		Net Change in Fund Balances		Ending Fund Balances	
	2010	2009	2010	2009	2010	2009	2010	2009
General Fund	18,004,270	17,461,827	17,890,903	17,613,650	113,367	(151,823)	2,862,333	2,748,966
Redevelopment Agency: Special Revenue	1,079,866	1,053,754	2,101,710	2,990,934	(1,021,844)	(1,937,180)	(1,080,994)	(59,150)
Redevelopment Agency: Millbrae Station	75,684	2,531,745	2,090,227	824,171	(2,014,543)	1,707,574	2,044,103	4,058,646
Redevelopment Agency: Debt Service	4,560,232	4,423,106	4,356,371	3,070,727	203,861	1,352,379	5,284,638	5,080,777
Redevelopment Agency: Capital Project	992,822	3,144,062	1,006,402	5,239,889	(13,580)	(2,095,827)	2,155,339	2,168,919
Other Governmental Funds	7,934,186	9,063,927	6,930,650	7,745,758	1,003,536	1,318,169	7,737,242	6,733,706
TOTAL	32,647,060	37,678,421	34,376,263	37,485,129	(1,729,203)	193,292	19,002,661	20,731,864

At the end of current fiscal year, the General Fund had an ending Fund Balance of \$2.86 million, an increase of \$113 thousand over the prior year end balance of \$2.75 million. The Redevelopment Agency Special Revenue Fund had an ending Fund Balance of negative - \$1.08 million, a decrease of \$1.02 million over the prior year ending balance of negative - \$59 thousand. The Millbrae Station Area had an ending Fund Balance of \$2.04 million, a decrease of \$2.01 million over the prior year ending balance of \$4.06 million. The Redevelopment Agency Debt Service Fund had an ending Fund Balance of \$5.28 million, an increase of \$204 thousand over the prior year end balance of \$5.08 million. The Redevelopment Agency Capital Project Fund had an ending Fund Balance of \$2.16 million, a decrease of \$14 thousand over the prior year end balance of \$2.17 million. Other Governmental Funds has a combined ending Fund Balance of \$7.74 million, an increase of \$1.0 million over the prior year ending balance of \$6.73 million.

The expenditures in the Redevelopment Agency Special Revenue Fund reflect the \$1.4 million equity sharing with Low and Moderate Income homebuyers at Park Broadway Condominium Project. The Agency established equity sharing with the homebuyers, that includes restricted resale prices, and the Agency has first right of refusal to repurchase the units.

The table below provides a comparison of the General Fund Revenues and Expenditures for fiscal year 2009-2010 versus fiscal year 2008-2009. Various items for the fiscal year ending 2009 have been reclassified below to conform to the presentation of the current fiscal year (2009-2010). These reclassifications have no impact on previously reported change in fund 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 at fiscal year end 2010 and the previous fiscal year end, 2009.

GENERAL FUND REVENUE AND EXPENDITURE COMPARISON				
June 30, 2010				
	General Fund		Dollar Variance	Percentage Variance
	2010	2009		
REVENUES				
Property Taxes	7,382,500	7,023,315	359,185	5.11%
Sales Tax	1,974,439	2,370,482	(396,043)	-16.71%
Transient Occupancy Tax	2,864,960	2,807,377	57,583	2.05%
Franchise Taxes	1,040,187	947,257	92,930	9.81%
Other Taxes	219,131	163,976	55,155	33.64%
Licenses and Permits	645,172	668,750	(23,578)	-3.53%
Charges for Service	812,202	663,651	148,551	22.38%
Fines and Forfeitures	1,097,610	771,323	326,287	42.30%
Use of Money and Property	417,583	534,310	(116,727)	-21.85%
Grants and Intergovernmental	103,634	158,019	(54,385)	-34.42%
Miscellaneous	584,740	479,998	104,742	21.82%
TOTAL REVENUES	17,142,158	16,588,458	553,700	3.34%
EXPENDITURES				
General Government	1,687,401	1,801,585	(114,184)	-6.34%
Public Safety	10,825,874	10,234,747	591,127	5.78%
Highway and Streets	1,325,827	1,290,619	35,208	2.73%
Culture and Recreation	6,644	8,808	(2,164)	-24.57%
Community Development	1,518,297	1,726,137	(207,840)	-12.04%
Capital Outlay	63,825	189,417	(125,592)	-66.30%
Debt Service:				
Principal	846,898	819,604	27,294	3.33%
Interest and Fiscal Charges	8,059	10,336	(2,277)	-22.03%
TOTAL EXPENDITURES	16,282,825	16,081,253	201,572	1.25%
OTHER FINANCING SOURCES (USES)				
Proceeds Sale Capital Assets		1,000	(1,000)	
Transfers In	862,112	872,369	(10,257)	-1.18%
Transfers Out	(1,608,078)	(1,532,397)	(75,681)	4.94%
TOTAL OTHER FINANCING SOURCES (USES)	(745,966)	(659,028)	(86,938)	3.76%
NET CHANGE / FUND BALANCE	113,367	(151,823)		
BEGINNING FUND BALANCE	2,748,966	2,900,789		
ENDING FUND BALANCE	2,862,333	2,748,966		

As shown on the table above the General Fund had an ending Fund Balance of \$2.86 million an increase of \$113 thousand (4.12%) over the prior year ending balance of \$2.75 million. The increase is attributable to the slight growth in revenue and reduction in expenditures.

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

**GENERAL FUND EXPENDITURES
FUND BALANCE COMPARISON**

	2010	2009
Expenses	17,890,903	17,613,650
Total Fund Balance	2,862,333	2,748,966
PERCENTAGE	16.00%	15.61%
Expenses	17,890,903	17,613,650
Unreserved / Designated Fund Balance	1,675,398	1,567,044
PERCENTAGE	9.36%	8.90%

At June 30, 2010, the General Fund had a reserve balance of \$1.18 million for encumbrances and advances from other funds which is approximately equal to the prior year's reserve balance.

General Fund Budgetary Revenue and Expenditure Changes

The variance between the final amended total General Fund Expenditure Budget and the actual results was an decrease of \$13 and represents City Council expenditures.

Proprietary Funds

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

The following table shows actual revenues, expenses and results of operations for the fiscal year 2009-2010.

PROPRIETARY FUNDS

June 30, 2010

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expenses)	Transfers In (Out)	Change In Net Assets
Municipal Water System	5,427,013	4,878,448	548,565	68,084	(179,347)	437,302
Waste Water Treatment	7,658,263	5,338,457	2,319,806	(1,148,659)	(369,351)	801,796
Storm Drains	261,858	481,341	(219,483)	870	180,991	(37,622)
Internal Service Funds	2,246,307	2,632,975	(386,668)	935	705,240	319,507
TOTAL	15,593,441	13,331,221	2,262,220	(1,078,770)	337,533	1,520,983

At the end of fiscal year 2009-2010, total net assets for the Municipal Water System were \$11.92 million, an increase of \$437 thousand (3.81%) over the prior year balance of \$11.48 million; Waste Water Treatment total net assets were \$8.24 million, an increase of \$802 thousand (10.79%) over the prior year balance of \$7.43 million; Storm Drains total net assets were \$548 thousand, a decrease of \$38 thousand (-6.42%) over the prior year balance of \$586 thousand; and the Internal Service Funds total net assets were \$1.55 million an increase of \$320 thousand (25.98%) over the prior year balance of \$1.23 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

June 30, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	14,885,484	14,885,484	1,785,218	1,785,218	16,670,702	16,670,702
Land Improvements	255,435	278,590			255,435	278,590
Construction in Progress			11,677,968	2,791,228	11,677,968	2,791,228
Building and Improvements	16,170,581	16,578,020	2,796,822	2,900,579	18,967,403	19,478,599
Furniture, Fixtures and Equipment	1,557,171	1,717,584	5,925,148	6,652,523	7,482,319	8,370,107
Automobiles and Trucks	763,554	914,469	15,862	18,784	779,416	933,253
Infrastructure	26,578,712	27,266,264	6,657,104	6,460,775	33,235,816	33,727,039
TOTAL	60,210,937	61,640,411	28,858,122	20,609,107	89,069,059	82,249,518

The investment in total capital assets for both the Governmental and Business-type Activities as of June 30, 2010, increased by \$6.8 million (8.29%) to \$89.07 million (net of accumulated depreciation). The Construction in Progress represents the design costs incurred to date for the renovation and modernization of the City's Waste Water Treatment facilities.

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

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

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

Debt Administration

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

The following table summarizes the outstanding long-term debt at June 30, 2010.

LONG-TERM LIABILITIES

June 30, 2010

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
1999 Certificates of Participation: Police Expansion	2,995,000	3,135,000			2,995,000	3,135,000
2001 General Obligation Bonds: Public Library	10,260,000	10,345,000			10,260,000	10,345,000
2001 Natural Disaster Loan	200,000	400,000			200,000	400,000
2004 Pension Obligation Bonds	14,731,267	14,633,198			14,731,267	14,633,198
2005 Tax Allocation Bonds: Redevelopment	8,165,000	8,270,000			8,165,000	8,270,000
2005 Bank Loan: Cogeneration Project				5,600,398		5,600,398
2006 Lease Purchase: Phone System	45,105	97,018			45,105	97,018
2007 Lease Purchase: Fire Apparatus	90,159	176,049			90,159	176,049
2007 Lease Purchase: Police Vehicles		37,097				37,097
2008 Subordinate Wastewater Revenue Notes				3,965,000		3,965,000
2009 A Certificate of Participation: Wastewater Plant			5,560,000		5,560,000	
2009 B Certificate of Participation: Wastewater Plant			10,371,367		10,371,367	
2009 State Water Resource Board: Wastewater Plant			2,639,419		2,639,419	
TOTAL	36,486,531	37,093,362	18,570,786	9,565,398	55,057,317	46,658,760

As of June 30, 2010, Governmental Activities outstanding long-term debt was \$36.5 million and Business-Type Activities had \$18.6 million of long-term debt, for combined total of \$55.1 million. During the year \$11.1 million long-term debt was retired, while \$19.57 million was added (accrued value - 2004 Pension Obligation Bonds, issuance of 2009 A & B Wastewater COP Bonds and State Water Resource Board Loan), resulting in a net increase of \$8.4 million (18.0%).

Additional information about the City's long-term obligations can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- Labor, Health Care and Pension costs continue to increase
- Continued State Budget actions are certain to affect the City
- City of Millbrae Redevelopment Agency is required to pay approximately \$248 thousand by May 10, 2011 to County Supplemental Education Revenue Augmentation Fund (SERAF) under State ABX4-26 passed in July 2009. The California Redevelopment Association has filed a lawsuit in Sacramento Superior Court challenging this raid of local Redevelopment Funds

- Develop an appropriate strategy to fund the Other Post-Employment Benefits (OPEB) obligation

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

REQUESTS FOR INFORMATION

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

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

CITY OF MILLBRAE

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

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

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

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

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

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

CITY OF MILLBRAE
STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments available for operations (Note 3)	\$18,443,019	\$8,757,752	\$27,200,771
Cash with fiscal agent (Note 3)	3,340,027	1,253,353	4,593,380
Receivables:			
Taxes	337,470		337,470
Accounts - net	627,703	3,129,813	3,757,516
Accrued interest	40,604		40,604
Due from other governmental agencies	764,107	34,546	798,653
Loans (Note 5)	10,201,051		10,201,051
Internal balances (Note 4D)	(565,754)	565,754	
Prepaid pension obligations (Note 8C)	8,034,561		8,034,561
Prepaid items	10,114	293,379	303,493
Land held for resale (Note 7)	1,324,591		1,324,591
Capital assets (Note 6):			
Non-depreciable capital assets	14,885,484	13,463,186	28,348,670
Depreciable capital assets, net	<u>45,325,453</u>	<u>15,394,936</u>	<u>60,720,389</u>
 Total Assets	 <u>102,768,430</u>	 <u>42,892,719</u>	 <u>145,661,149</u>
LIABILITIES			
Accounts payable and accrued payroll	2,114,378	2,345,836	4,460,214
Interest payable	425,341	68,129	493,470
Deposits	1,444,711	308,959	1,753,670
Unearned revenue	307,918		307,918
Compensated absences (Note 1G):			
Due within one year	808,106	275,303	1,083,409
Due in more than one year	<u>1,179,159</u>	<u>181,918</u>	<u>1,361,077</u>
Accrued self-insurance (Note 12)			
Due within one year	514,668	325,000	839,668
Due in more than one year	972,040	200,000	1,172,040
Long-term debt (Note 8):			
Portion due within one year	1,385,264	1,600,000	2,985,264
Portion due in more than one year	<u>35,101,267</u>	<u>16,970,786</u>	<u>52,072,053</u>
Net other postemployment benefit obligation (Note 11)			
Due in more than one year	<u>1,796,854</u>		<u>1,796,854</u>
 Total Liabilities	 <u>46,049,706</u>	 <u>22,275,931</u>	 <u>68,325,637</u>
NET ASSETS (Note 9)			
Invested in capital assets, net of related debt	47,155,335	11,540,689	58,696,024
Restricted for:			
Special assessment capital projects	35,083		35,083
Debt service	6,382,058		6,382,058
Redevelopment	2,155,339		2,155,339
AB 2928 grant	1,009,128		1,009,128
Gas tax	545,801		545,801
Developer fee - operating	2,044,103		2,044,103
Measure A	<u>1,048,911</u>		<u>1,048,911</u>
 Total Restricted Net Assets	 <u>13,220,423</u>		 <u>13,220,423</u>
 Unrestricted	 (3,657,034)	 9,076,099	 5,419,065
 Total Net Assets	 <u>\$56,718,724</u>	 <u>\$20,616,788</u>	 <u>\$77,335,512</u>

See accompanying notes to financial statements

CITY OF MILLBRAE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
General government	\$2,231,501	\$1,073,212		(\$1,158,289)		(\$1,158,289)
Public safety	12,406,169	1,938,783	\$148,331	(10,319,055)		(10,319,055)
Highways and streets	3,626,266	363,153	988,817	(2,274,296)		(2,274,296)
Culture and recreation	1,384,044	886,924	1,809	(495,311)		(495,311)
Community development	8,631,791	1,952,256	11,426	(6,668,109)		(6,668,109)
Interest on long-term debt	2,061,304			(2,061,304)		(2,061,304)
Total Governmental Activities	30,341,075	6,214,328	1,150,383	(22,976,364)		(22,976,364)
Business-type Activities:						
Municipal water system	4,897,482	5,418,643			\$521,161	521,161
Municipal waste water treatment facility	6,068,770	7,485,901			1,417,131	1,417,131
Storm drain	496,921	228,809			(268,112)	(268,112)
Total Business-type Activities	11,463,173	13,133,353			1,670,180	1,670,180
Total	\$41,804,248	\$19,347,681	\$1,150,383	(22,976,364)	1,670,180	(21,306,184)
General revenues:						
Taxes:						
Property taxes				7,987,727		7,987,727
Incremental property tax				5,460,932		5,460,932
Sales taxes				1,974,439		1,974,439
Transient occupancy tax				2,864,960		2,864,960
Franchise tax				1,040,187		1,040,187
Other taxes				593,871		593,871
Motor vehicle in-lieu, unrestricted				63,485		63,485
Investment earnings				332,314	133,202	465,516
Miscellaneous				281,271	(311,219)	(29,948)
Transfers (Note 4C)				367,707	(367,707)	
Total general revenues and transfers				20,966,893	(545,724)	20,421,169
Change in Net Assets				(2,009,471)	1,124,456	(885,015)
Net Assets-Beginning, as restated (Note 9c)				58,728,195	19,492,332	78,220,527
Net Assets-Ending				\$56,718,724	\$20,616,788	\$77,335,512

See accompanying notes to financial statements



FUND FINANCIAL STATEMENTS

Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2010. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

REDEVELOPMENT AGENCY SPECIAL REVENUE FUND

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

MILLBRAE STATION AREA DEVELOPER FEE – OPERATING SPECIAL REVENUE FUND

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

REDEVELOPMENT AGENCY DEBT SERVICE FUND

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

REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND

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

CITY OF MILLBRAE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
ASSETS				
Cash and investments (Note 3)	\$2,252,391	\$18,767	\$1,680,131	\$4,914,397
Cash with fiscal agent (Note 3)	492		903,248	564,584
Receivables:				
Taxes	273,778			
Accounts - net	550,805			
Accrued interest	40,604			
Due from other funds (Note 4A)				1,728,594
Due from other governmental agencies	331,677			
Loans (Note 5)		10,201,051		
Advances to other funds (Note 4B)	1,040,100			
Prepaid items	10,114			
Land held for resale (Note 7)				
Total Assets	\$4,499,961	\$10,219,818	\$2,583,379	\$7,207,575
LIABILITIES				
Accounts payable and accrued payroll	\$1,157,781	\$18,767	\$8,955	\$232,837
Due to other funds (Note 4A)		1,728,594		
Deposits	305,446		530,321	
Deferred revenue		9,553,451		
Unearned revenue	174,401			
Advances from other funds (Note 4B)				1,690,100
Total Liabilities	1,637,628	11,300,812	539,276	1,922,937
FUND BALANCES				
Fund balance (Note 9)				
Reserved for:				
Encumbrances	136,721			
Debt service			5,284,638	
Advances, loans receivable and prepaids	1,050,214	647,600		
Land held for resale				
Unreserved:				
Designated				
Other post employment benefits	1,532,462			
Operating contingency	142,936			
Undesignated, reported in:				
Special Revenue Funds		(1,728,594)	2,044,103	
Capital Projects Funds				
Total Fund Balances (Deficit)	2,862,333	(1,080,994)	2,044,103	5,284,638
Total Liabilities and Fund Balances	\$4,499,961	\$10,219,818	\$2,583,379	\$7,207,575

See accompanying notes to financial statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$827,549	\$6,717,610 1,871,703	\$16,410,845 3,340,027
15,440	63,692 60,261	337,470 626,506
12,751	419,679	40,604 1,728,594 764,107 10,201,051 1,040,100 10,114
<u>1,324,591</u>		<u>1,324,591</u>
<u>\$2,180,331</u>	<u>\$9,132,945</u>	<u>\$35,824,009</u>
\$16,432	\$661,802	\$2,096,574 1,728,594
8,560	600,384	1,444,711 9,553,451
	133,517	307,918 1,690,100
<u>24,992</u>	<u>1,395,703</u>	<u>16,821,348</u>
20,060	879,489	1,036,270
	1,097,420	6,382,058 1,697,814
1,324,591		1,324,591
		1,532,462 142,936
810,688	4,599,241 1,161,092	4,914,750 1,971,780
<u>2,155,339</u>	<u>7,737,242</u>	<u>19,002,661</u>
<u>\$2,180,331</u>	<u>\$9,132,945</u>	<u>\$35,824,009</u>

CITY OF MILLBRAE
 Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances reported on the Governmental Funds Balance Sheet \$19,002,661

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds 59,065,198

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

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

Cash and investments	2,032,174
Accounts receivable	1,197
Internal balances	84,246
Capital assets	1,145,739
Accounts payable	(17,804)
Interest payable	(2,240)
Compensated absences	(32,856)
Accrued self-insurance	(1,486,708)
Long-term debt	(90,159)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 9,553,451

LONG-TERM ASSETS AND LIABILITIES

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

Prepaid pension obligation	8,034,561
Long-term debt	(36,396,372)
Net OPEB Obligation	(1,796,854)
Compensated absences	(1,954,409)
Interest payable	(423,101)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$56,718,724

See accompanying notes to financial statements



CITY OF MILLBRAE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

	General	Redevelopment Agency Special Revenue Fund	Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Redevelopment Agency Debt Service Fund
REVENUES				
Property tax	\$7,382,500	\$1,086,039		\$4,344,159
Sales tax	1,974,439			
Transient occupancy tax	2,864,960			
Franchise tax	1,040,187			
Other taxes	219,131			
Licenses and permits	645,172			
Charges for services	812,202		\$34,033	
Fines and forfeitures	1,097,610			
Use of money and property	417,583	(6,273)	590	103,129
Grants and intergovernmental	103,634			
Miscellaneous	584,740	100		
 Total Revenues	 17,142,158	 1,079,866	 34,623	 4,447,288
 EXPENDITURES				
Current:				
General government	1,687,401		2,897	
Public safety	10,825,874			
Highways and streets	1,325,827		35,157	
Culture and recreation	6,644			
Community development	1,518,297	1,670,656	104,191	21,693
Payments to property tax pass-throughs and SERAF		306,176		2,893,459
Capital outlay	63,825			
Debt service:				
Principal	846,898			105,000
Interest and fiscal charges	8,059			459,739
 Total Expenditures	 16,282,825	 1,976,832	 142,245	 3,479,891
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 859,333	 (896,966)	 (107,622)	 967,397
 OTHER FINANCING SOURCES (USES)				
Transfers in (Note 4C)	862,112		41,061	112,944
Transfers (out) (Note 4C)	(1,608,078)	(124,878)	(1,947,982)	(876,480)
 Total Other Financing Sources (Uses)	 (745,966)	 (124,878)	 (1,906,921)	 (763,536)
 NET CHANGE IN FUND BALANCES	 113,367	 (1,021,844)	 (2,014,543)	 203,861
 BEGINNING FUND BALANCES, as restated (Note 9c)	 2,748,966	 (59,150)	 4,058,646	 5,080,777
 ENDING FUND BALANCES (DEFICIT)	 \$2,862,333	 (\$1,080,994)	 \$2,044,103	 \$5,284,638

See accompanying notes to financial statements

Redevelopment Agency Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$635,961	\$13,448,659
		1,974,439
		2,864,960
		1,040,187
	374,740	593,871
	141,998	787,170
	1,323,305	2,169,540
		1,097,610
45,099	245,348	805,476
	2,197,116	2,300,750
<u>71,243</u>	<u>16,216</u>	<u>672,299</u>
<u>116,342</u>	<u>4,934,684</u>	<u>27,754,961</u>
		1,690,298
	333,954	11,159,828
	709,749	2,070,733
	1,290,234	1,296,878
715,386	2,439,487	6,469,710
		3,199,635
	842,248	906,073
	225,000	1,176,898
	<u>708,780</u>	<u>1,176,578</u>
<u>715,386</u>	<u>6,549,452</u>	<u>29,146,631</u>
<u>(599,044)</u>	<u>(1,614,768)</u>	<u>(1,391,670)</u>
876,480	2,999,502	4,892,099
<u>(291,016)</u>	<u>(381,198)</u>	<u>(5,229,632)</u>
<u>585,464</u>	<u>2,618,304</u>	<u>(337,533)</u>
(13,580)	1,003,536	(1,729,203)
<u>2,168,919</u>	<u>6,733,706</u>	<u>20,731,864</u>
<u>\$2,155,339</u>	<u>\$7,737,242</u>	<u>\$19,002,661</u>

CITY OF MILLBRAE
 Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the Statement of Activities
JUNE 30, 2008
FOR THE YEAR ENDED JUNE 30, 2010

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$1,729,203)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital outlay and other capitalized expenditures are therefore added back to fund balance	906,073
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$206,888 which has already been allocated to serviced funds)	(2,140,098)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

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

Repayment and forgiveness of debt principal are added back to fund balance	1,176,913
Interest expense are deducted from fund balance	8,328

ACCRUAL OF NON-CURRENT ITEMS

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

Internal balances	(7,226)
Deferred revenue	1,469,343
Compensated absences	(4,158)
Unpaid interest added to long-term debt	(893,069)
Reduction in long-term debt	200,000
Amortization of prepaid pension obligation	(586,956)
Net OPEB	(813,171)

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Assets - All Internal Service Funds	403,753
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>(\$2,009,471)</u>
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See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds in fiscal 2010.

MUNICIPAL WATER SYSTEM FUND

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

MUNICIPAL WASTE WATER TREATMENT FACILITY FUND

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

STORM DRAIN FUND

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

CITY OF MILLBRAE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds	
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals		
ASSETS						
Current Assets:						
Cash and investments (Note 3)	\$3,199,034	\$5,455,786	\$102,932	\$8,757,752	\$2,032,174	
Cash with fiscal agent (Note 3)		1,253,353		1,253,353		
Receivables:						
Accounts - net	1,296,641	1,833,172		3,129,813	1,197	
Due from other governmental agencies		16,509	18,037	34,546		
Prepaid items		293,379		293,379		
Total Current Assets	<u>4,495,675</u>	<u>8,852,199</u>	<u>120,969</u>	<u>13,468,843</u>	<u>2,033,371</u>	
Noncurrent Assets:						
Advances to other funds (Note 4B)	650,000			650,000		
Capital assets (Note 6)						
Non-depreciable capital assets	100,770	13,362,416		13,463,186		
Depreciable capital assets, net	7,371,564	7,569,620	453,752	15,394,936	1,145,739	
Total Noncurrent Assets	<u>8,122,334</u>	<u>20,932,036</u>	<u>453,752</u>	<u>29,508,122</u>	<u>1,145,739</u>	
Total Assets	<u>12,618,009</u>	<u>29,784,235</u>	<u>574,721</u>	<u>42,976,965</u>	<u>3,179,110</u>	
LIABILITIES						
Current Liabilities:						
Accounts payable	246,213	2,095,360	4,263	2,345,836	17,804	
Interest payable		68,129		68,129	2,240	
Deposits	288,797	20,162		308,959		
Compensated absences (Note 1G)	99,762	162,043	13,498	275,303		
Accrued self insurance (Note 12)		325,000		325,000	514,668	
Long-term debt - due within one year (Note 8)		1,600,000		1,600,000	90,159	
Total Current Liabilities	<u>634,772</u>	<u>4,270,694</u>	<u>17,761</u>	<u>4,923,227</u>	<u>624,871</u>	
Noncurrent Liabilities:						
Compensated absences (Note 1G)	65,922	107,076	8,920	181,918	32,856	
Accrued self-insurance (Note 12)		200,000		200,000	972,040	
Long-term debt (Note 8)						
Due in more than one year		16,970,786		16,970,786		
Total Noncurrent Liabilities	<u>65,922</u>	<u>17,277,862</u>	<u>8,920</u>	<u>17,352,704</u>	<u>1,004,896</u>	
Total Liabilities	<u>700,694</u>	<u>21,548,556</u>	<u>26,681</u>	<u>22,275,931</u>	<u>1,629,767</u>	
NET ASSETS (Note 9)						
Invested in capital assets, net of related debt	7,472,334	3,614,603	453,752	11,540,689	1,055,580	
Unrestricted	<u>4,444,981</u>	<u>4,621,076</u>	<u>94,288</u>	<u>9,160,345</u>	<u>493,763</u>	
Total Net Assets	<u><u>\$11,917,315</u></u>	<u><u>\$8,235,679</u></u>	<u><u>\$548,040</u></u>	<u><u>20,701,034</u></u>	<u><u>\$1,549,343</u></u>	
Some amounts reported for business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with business-type activities.						
				(84,246)		
Net assets business-type activities				<u><u>\$20,616,788</u></u>		

See accompanying notes to financial statements

**CITY OF MILLBRAE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
OPERATING REVENUES					
Water sales	\$5,418,643			\$5,418,643	
Sewer service fees		\$7,485,901		7,485,901	
Equipment rental					\$723,132
Interdepartmental charges					1,398,537
Storm drain fees			\$228,809	228,809	
Miscellaneous	8,370	172,362	33,049	213,781	124,638
Total Operating Revenues	5,427,013	7,658,263	261,858	13,347,134	2,246,307
OPERATING EXPENSES					
Personnel services	1,668,469	2,890,213	237,343	4,796,025	436,041
Contractual services	548,015	994,418	189,418	1,731,851	255,205
Materials, supplies and other services	345,426	442,193	3,032	790,651	134,415
Water purchases	1,923,542			1,923,542	
Depreciation	294,959	711,403	40,588	1,046,950	206,888
Utilities	38,904	222,171	8,213	269,288	
Insurance premiums and claims	59,133	78,059	2,747	139,939	1,600,426
Total Operating Expenses	4,878,448	5,338,457	481,341	10,698,246	2,632,975
Operating Income (Loss)	548,565	2,319,806	(219,483)	2,648,888	(386,668)
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets					8,885
Claims settlement expense		(525,000)		(525,000)	
Interest revenue	68,084	64,248	870	133,202	51
Interest expense and fiscal charges		(687,907)		(687,907)	(8,001)
Total Nonoperating Revenues (Expenses)	68,084	(1,148,659)	870	(1,079,705)	935
Income (Loss) Before Transfers	616,649	1,171,147	(218,613)	1,569,183	(385,733)
Transfers in (Note 4C)					
Transfers out (Note 4C)	(179,347)	(369,351)	208,152	208,152	769,123
Net transfers	(179,347)	(369,351)	(27,161)	(575,859)	(63,883)
Change in net assets	437,302	801,796	(37,622)	1,201,476	319,507
BEGINNING NET ASSETS	11,480,013	7,433,883	585,662		1,229,836
ENDING NET ASSETS	\$11,917,315	\$8,235,679	\$548,040		\$1,549,343
Some amounts reported for business-type activities in the Statement of Activities are different because a portion of the net income of certain internal service funds is reported with the business-type activities which those funds service				(77,020)	
Change in net assets of business-type activities				\$1,124,456	

See accompanying notes to financial statements

CITY OF MILLBRAE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Municipal Water System	Municipal Waste Water Treatment Facility	Storm Drain	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$5,472,852	\$7,442,078	\$261,858	\$13,176,788	\$2,247,504
Payments to suppliers	(2,898,236)	(126,601)	(216,820)	(3,241,657)	(402,833)
Payments to employees	(1,647,814)	(2,878,156)	(233,389)	(4,759,359)	(431,508)
Prepaid items		(293,379)		(293,379)	
Claims paid					(1,109,305)
Cash Flows from Operating Activities	<u>926,802</u>	<u>4,143,942</u>	<u>(188,351)</u>	<u>4,882,393</u>	<u>303,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in			208,152	208,152	769,123
Transfers (out)	(179,347)	(369,351)	(27,161)	(575,859)	(63,883)
Cash Flows from Noncapital Financing Activities	<u>(179,347)</u>	<u>(369,351)</u>	<u>180,991</u>	<u>(367,707)</u>	<u>705,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net	(18,962)	(9,274,061)	(2,942)	(9,295,965)	(2,554)
Proceeds from long term debt		18,573,193		18,573,193	
Principal payments on capital debt		(9,594,358)		(9,594,358)	(122,987)
Interest paid		(672,457)		(672,457)	(10,829)
Cash Flows from Capital and Related Financing Activities	<u>(18,962)</u>	<u>(967,683)</u>	<u>(2,942)</u>	<u>(989,587)</u>	<u>(136,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investment with fiscal agent		(1,253,352)		(1,253,352)	
Interest	68,084	64,248	870	133,202	51
Cash Flows from Investing Activities	<u>68,084</u>	<u>(1,189,104)</u>	<u>870</u>	<u>(1,120,150)</u>	<u>51</u>
Net Cash Flows	<u>796,577</u>	<u>1,617,804</u>	<u>(9,432)</u>	<u>2,404,949</u>	<u>872,779</u>
Cash and investments at beginning of period	<u>2,402,457</u>	<u>3,837,982</u>	<u>112,364</u>	<u>6,352,803</u>	<u>1,159,395</u>
Cash and investments at end of period	<u>\$3,199,034</u>	<u>\$5,455,786</u>	<u>\$102,932</u>	<u>\$8,757,752</u>	<u>\$2,032,174</u>
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	\$548,565	\$2,319,806	(\$219,483)	\$2,648,888	(\$386,668)
Adjustments to reconcile operating income (Loss) to cash flows from operating activities:					
Depreciation	294,959	711,403	40,588	1,046,950	206,888
Miscellaneous non-operating revenue		(525,000)			
Change in assets and liabilities:					
Receivables, net	15,920	(219,385)		(203,465)	1,197
Due from other governmental agencies		(4,338)	(10,062)	(14,400)	
Accounts payable	16,784	1,614,578	(3,348)	1,628,014	(13,213)
Compensated absences	20,655	12,057	3,954	36,666	4,533
Prepaid items		(293,379)		(293,379)	
Refundable deposits	29,919	3,200		33,119	491,121
Accrued self insurance		525,000		525,000	
Cash Flows from Operating Activities	<u>\$926,802</u>	<u>\$4,143,942</u>	<u>(\$188,351)</u>	<u>\$4,882,393</u>	<u>\$303,858</u>
NONCASH TRANSACTION					
Retirement of discounts		\$26,553			
Retirement of premium		<u>\$2,407</u>			

See accompanying notes to financial statements

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. *Reporting Entity*

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

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

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

B. *Basis of Presentation*

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

C. Major Funds

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

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

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

The City also reports the following fund types:

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

D. Basis of Accounting

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

E. *Revenue Recognition for Water and Sewer Enterprise Funds*

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

F. *Property Tax*

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

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

	Governmental Activities	Business-Type	Total
Beginning Balance	\$1,978,574	\$420,555	\$2,399,129
Additions	878,487	313,473	1,191,960
Payments	<u>(869,796)</u>	<u>(276,807)</u>	<u>(1,146,603)</u>
Ending Balance	<u><u>\$1,987,265</u></u>	<u><u>\$457,221</u></u>	<u><u>\$2,444,486</u></u>
Current Portion	<u><u>\$808,106</u></u>	<u><u>\$275,303</u></u>	<u><u>\$1,083,409</u></u>

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

H. Proposition 1A

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes apportioned to the City. The state is required to repay the \$484,340 it borrowed from the City plus interest by June 30, 2013.

Authorized with the 2009-10 State budget package was the Proposition 1A Securitization Program, administered by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. Under the Program, the City received cash equal to its share of State borrowings and forwent interest it otherwise would have received from the State on the unpaid borrowings.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

California Communities simultaneously purchased the Proposition 1A receivables from the City and other participants and issued bonds to provide participants with proceeds to be remitted in two equal installments due on January 15, 2010 and May 3, 2010. All costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. As of June 30, 2010, the City received both installments due under the Program and recorded them as property taxes in the same manner as if the State had not exercised its rights under Proposition 1A. Since sales proceeds to the City equal the book value of state borrowings and no gain or loss was incurred.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

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

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

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

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
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS

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

The City's cash and investments consist of the following at June 30, 2010:

	Cash and Investments		
	Available for Operations	With Fiscal Agents	Total
Investments:			
Local Agency Investment Fund	\$5,752,500		\$5,752,500
San Mateo County Investment Fund	13,404,252		13,404,252
Certificates of deposits	1,941,531	\$868,023	2,809,554
Money Market Funds	133	3,725,357	3,725,490
Petty Cash	1,780		1,780
Cash in banks	6,100,575		6,100,575
Total cash and investments	<u><u>\$27,200,771</u></u>	<u><u>4,593,380</u></u>	<u><u>\$31,794,151</u></u>

The City does not allocate investments by fund. Each proprietary fund's portion of Cash and Investments Available for Operations is in substance a demand deposit available to finance operations, and is considered a cash equivalent in preparing the statement of cash flows.

A. Authorized Investments by the City

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

Authorized Investments

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Allowed in Portfolio	Maximum Investment in One Issuer
California Local Agency Investment Fund	N/A	N/A	\$40 million/account	None
San Mateo County Pool	N/A	N/A	None	None
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Government Agency Obligations	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	20%	30%
Collateralized Certificates of Deposit				
with Banks or Savings & Loans	2 years	AA	25%	None
Negotiable Certificates of Deposit	2 years	N/A	30%	None
Commercial Paper	180 days	A1	15%	10%

City did not enter into any reverse repurchase agreements during the year ended June 30, 2010.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Authorized Investments by Debt Agreements

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

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

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

C. Interest Rate Risk

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

	12 Months or less	13 to 24 Months	25 to 36 Months	Total
Local Agency Investment Fund	\$5,752,500			\$5,752,500
San Mateo County Investment Fund	13,404,252			13,404,252
Certificates of Deposits	943,680	\$301,434	\$1,564,440	2,809,554
Money Market Funds	3,725,490			3,725,490
Petty Cash	1,780			1,780
Cash in banks	6,100,575			6,100,575
Total Cash and Investments	\$29,928,277	\$301,434	\$1,564,440	\$31,794,151

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the City's investment policy, or debt agreements and the actual rating as of June 30, 2010 for each investment type:

Investment Type	AAAm	Total
Money Market Funds	<u><u>\$1,284,644</u></u>	<u><u>\$1,284,644</u></u>
<i>Not rated:</i>		
Local Agency Investment Fund		5,752,500
San Mateo County Investment Fund		13,404,252
Certificates of deposits		2,809,554
Money Market Funds		2,440,846
Petty Cash		1,780
Cash in banks		6,100,575
Total Cash and Investments		<u><u>\$31,794,151</u></u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

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

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

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

F. Local Agency Investment Fund

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

G. San Mateo County Investment Fund

The City is a voluntary participant in the San Mateo County Investment Fund (SMCIF) that is regulated by California Government Code Section 53600 under the oversight of the treasurer of the County of San Mateo. The City reports its investment in SMCIF at the fair value amount provided by SMCIF. The balance available for withdrawal is based on the accounting records maintained by SMCIF, which are recorded on an amortized cost basis. Included in SMCIF's investment portfolio are U.S. Treasury Notes, obligations issued by agencies of the U.S. Government, LAIF, corporate notes, commercial paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2010, these investments matured in an average of 1 year.

Money Market Funds are available for withdrawal on demand.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS

A. Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2010 interfund balances were as follows:

Receivable Fund	Payable Fund	Amount
Redevelopment Agency	Redevelopment Agency	
Debt Service Fund	Special Revenue Fund	<u>\$1,728,594</u>
		<u><u>\$1,728,594</u></u>

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

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

At June 30, 2010 outstanding balances from the above advances were as follows:

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

C. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. Transfers between funds during the fiscal year ended June 30, 2010 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Redevelopment Agency Special Revenue Fund Millbrae Station Area Developer Fee - Operating Special Revenue Fund Redevelopment Agency Capital Projects Fund Municipal Water System Enterprise Fund Municipal Waste Water Treatment Facility Enterprise Fund Storm Drain Enterprise Fund Internal Service Funds Nonmajor Governmental Funds	\$11,934 C 6,653 E 92,812 A, C 179,347 C 369,351 C 27,161 C 63,883 C 110,971 A, C
Millbrae Station Area Developer Fee - Operating Special Revenue Fund	Nonmajor Governmental Funds	41,061 E
Redevelopment Agency Debt Service Fund	Redevelopment Agency Special Revenue Fund	112,944 G
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	876,480 F
Storm Drain Enterprise Fund	General Fund	208,152 A
Internal Service Funds	General Fund Millbrae Station Area Developer Fee - Operating Special Revenue Fund	674,479 A, E 94,644 C
Non-Major Governmental Funds	General Fund Millbrae Station Area Developer Fee - Operating Special Revenue Fund Redevelopment Agency Capital Projects Fund Non Major Governmental Funds	725,447 A, C, D 1,846,685 E 198,204 A, E 229,166 A, B, C, D, E, G
	Total Interfund Transfers	<u><u>\$5,869,374</u></u>

The reasons for these transfers are set forth below:

- A To fund administrative expenditures
- B To close various fund
- C To fund debt service payments
- D To fund recreation programs
- E One time transfer
- F To fund redevelopment activities
- G Recurring transfer

D. Internal Balances

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 5 - LOANS RECEIVABLE

Loans receivable as of June 30, 2010, comprised of the following:

Project	Amount
Low-and-Moderate First Time Home Buyer Program	\$647,600
Dolores Lia Apartments Loan	4,178,730
Below Market Rate Loan	
88 South Broadway	3,930,040
1388 Broadway	<u>1,444,681</u>
Total notes receivable	<u><u>\$10,201,051</u></u>

A. *Low-and-Moderate-Income First Time Home Buyer Program*

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

B. *Dolores Lia Apartments Loan*

During fiscal 2009 the City entered into a loan agreement with a developer, a California nonprofit public benefit corporation, in which the City would provide a loan of up to \$5 million for the Dolores Lia Apartment project. The developer will own, operate and convert the project to condominiums for sale to low and moderate income homebuyers. A loan repayment of \$1.8 million is expected upon sale of the converted units. The remaining \$3.2 million will be secured first by a note and deed of trust with the developer and then by notes and deeds of trust by the unit owners for at least forty five years.

C. *Below Market Rate Loan*

The Redevelopment Agency sponsors a program that provides homeownership opportunities to individuals and families of moderate-income by offering below-market rate deferred payment financing. The Redevelopment 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 principle 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 Financial Statements

NOTE 6 - CAPITAL ASSETS

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

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

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

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

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets during the year ended June 30, 2010 comprise:

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
Governmental activities				
Capital assets not being depreciated:				
Land	\$14,885,484			\$14,885,484
Total capital assets not being depreciated	14,885,484			14,885,484
Capital assets being depreciated:				
Land Improvements	951,985			951,985
Building and Improvements	20,263,135			20,263,135
Furniture, Fixtures and Equipment	3,737,092	\$91,179		3,828,271
Automobiles and Trucks	542,950	7,585		550,535
Infrastructure	54,518,128	807,309		55,325,437
Total capital assets being depreciated	80,013,290	906,073		80,919,363
Less accumulated depreciation for:				
Land Improvements	673,395	23,155		696,550
Building and Improvements	3,726,193	405,838		4,132,031
Furniture, Fixtures and Equipment	2,439,007	207,878		2,646,885
Automobiles and Trucks	509,092	8,366		517,458
Infrastructure	27,251,864	1,494,861		28,746,725
Total accumulated depreciation	34,599,551	2,140,098		36,739,649
Net general				
Capital assets	60,299,223	(1,234,025)		59,065,198
Internal Service Fund Capital Assets				
Building and Improvements	80,065			80,065
Furniture, Fixtures and Equipment	665,535			665,535
Automobiles and Trucks	3,046,260	11,439	(\$159,930)	2,897,769
Total capital assets being depreciated	3,791,860	11,439	(159,930)	3,643,369
Less accumulated depreciation for:				
Building and Improvements	38,987	1,601		40,588
Furniture, Fixtures and Equipment	246,036	43,714		289,750
Automobiles and Trucks	2,165,649	161,573	(159,930)	2,167,292
Total accumulated depreciation	2,450,672	206,888	(159,930)	2,497,630
Net Internal Service Capital Assets Being Depreciated	1,341,188	(195,449)		1,145,739
Governmental activity capital assets, net	<u>\$61,640,411</u>	<u>(\$1,429,474)</u>		<u>\$60,210,937</u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2009	Increases	Decreases	Balance at June 30, 2010
Business-type activities				
Capital assets not being depreciated:				
Land	\$1,785,218			\$1,785,218
Construction in Progress	2,791,228	\$8,886,740		11,677,968
Total capital assets not being depreciated	<u>4,576,446</u>	<u>8,886,740</u>		<u>13,463,186</u>
Capital assets, being depreciated:				
Land Improvements				
Building and Improvements	5,877,357			5,877,357
Furniture, Fixtures and Equipment	14,690,182	26,178	(\$23,054)	14,693,306
Automobiles and Trucks	70,367			70,367
Infrastructure	<u>12,680,082</u>	<u>383,047</u>		<u>13,063,129</u>
Total capital assets being depreciated	<u>33,317,988</u>	<u>409,225</u>	<u>(23,054)</u>	<u>33,704,159</u>
Less accumulated depreciation for:				
Land Improvements				
Building and Improvements	2,976,778	103,757		3,080,535
Furniture, Fixtures and Equipment	8,037,659	753,553	(23,054)	8,768,158
Automobiles and Trucks	51,583	2,922		54,505
Infrastructure	<u>6,219,307</u>	<u>186,718</u>		<u>6,406,025</u>
Total accumulated depreciation	<u>17,285,327</u>	<u>1,046,950</u>	<u>(23,054)</u>	<u>18,309,223</u>
Depreciable capital assets	<u>16,032,661</u>	<u>(637,725)</u>		<u>15,394,936</u>
Business-type activity capital assets, net	<u><u>\$20,609,107</u></u>	<u><u>\$8,249,015</u></u>		<u><u>\$28,858,122</u></u>

A. *Capital Asset Contributions*

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 6 - CAPITAL ASSETS (Continued)

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities

General Government	\$92,590
Public Safety	202,310
Highways and Streets	1,504,030
Culture and Recreation	41,550
Community Development	<u>299,618</u>
Subtotal	2,140,098
Capital assets held by the City's Internal Service Funds	<u>206,888</u>
Total Governmental Activities	<u>\$2,346,986</u>

Business-Type Activities

Municipal Water System	\$294,959
Municipal Wastewater Treatment Facility	711,403
Storm Drain	<u>40,588</u>
Total Business-Type Activities	<u>\$1,046,950</u>

NOTE 7 - PROPERTY HELD FOR RESALE

The Redevelopment Agency has purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the redevelopment project areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT

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

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

A. Current Year Transactions and Balances

<i>Governmental Activity Debt:</i>	<i>Original Issue Amount</i>	<i>Balance June 30, 2009</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance June 30, 2010</i>	<i>Current Portion</i>
2001 Public Library General Obligation Bonds Public Library Project 5.12%-8.5%, due 8/1/2036	\$10,600,000	\$10,345,000		\$85,000	\$10,260,000	\$100,000
2004 Pension Obligation Bonds Series A-2 4.35%-6.58%, due 6/1/2034	11,521,630	14,633,198	\$893,069	795,000	14,731,267	825,000
1999 Certificates of Participation 4.5-5.875%, due 3/1/2024	4,105,000	3,135,000		140,000	2,995,000	145,000
Natural Disaster Assistance Loan 5.39%, due 6/9/2011	2,686,858	400,000		200,000	200,000	200,000
2005 Redevelopment Agency Tax Allocation Bonds 3.0-4.5%, due 8/1/2035	8,590,000	8,270,000		105,000	8,165,000	180,000
2006 Lease Purchase Financing - Phone System 4.56%, due 06/30/2011	246,658	97,018		51,913	45,105	45,105
Internal Service Fund:						
2007 Lease Purchase Financing - Fire Apparatus 4.97%, due 01/12/2011	430,463	176,049		85,890	90,159	90,159
2007 Lease Purchase Financing - Police Vehicles 5.60%, due 02/27/2010	144,669	37,097		37,097		
Total Governmental Activity Debt	\$37,093,362	\$893,069	\$1,499,900	\$36,486,531	\$1,585,264	
 Business-Type Activity Debt:						
Enterprise Funds:						
2005 Bank Loan - Cogeneration Project 4.75%, due 4/27/2025	\$6,486,209	\$5,626,951		\$5,626,951		
Discounts and loss on refunding, net of amortization		(26,553)		(26,553)		
2008 Bank Loan - Wastewater Revenue Notes 3.50%, due 4/1/2010	3,965,000	3,965,000		3,965,000		
2009 State Water Resources Board Water Pollution Control Plant Renovation 1%, due 4/1/2032	28,397,180		\$2,639,419		2,639,419	
2009A Wastewater Revenue Certificates of Participation 7.423%, due 12/1/2039	5,560,000		5,560,000		5,560,000	
2009B Wastewater Revenue Certificates of Participation 2.0-5.0%, due 12/1/2034	10,250,000		10,250,000		10,250,000	1,600,000
Premium, net of amortization		123,774		2,407	121,367	
Total Business-Type Activity Debt	\$9,565,398	\$18,573,193	\$9,567,805	\$18,570,786	\$1,600,000	

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

B. Public Library Project General Obligation Bonds

On August 7, 2001, the City issued 2001 General Obligation Bonds in the amount of \$10,600,000. The Bond proceeds were used to renovate, and construct an expansion area of the Millbrae Public Library. Semi-annual interest payments are due each February 1 and August 1, and principal is due on August 1 repayable from General Fund revenues until August 1, 2036. These bonds are repayable from a voter-approved tax levied for that purpose. The City has covenanted to direct the County to levy ad valorem taxes upon all property within the City subject to taxation. The total principal and interest remaining to be paid on the bonds is \$19,475,120. Principal and interest paid for the current year was \$611,862.

C. 2004 Pension Obligation Bonds

On June 29, 2004, the California Statewide Communities Development Authority issued the 2004 Series A-2 Capital Appreciation Bonds in the amount of \$18,529,195, of which \$11,521,630 was the City's portion. The bond proceeds were used to prepay the unfunded liability of the Miscellaneous and Safety Pension Plans through the California Public Employees' Retirement System. As of June 30, 2010, prepaid pension obligations amounted to \$8,034,561.

The Bonds unaccreted discount totaled \$16,623,733 at June 30, 2010. The Bonds do not pay periodic interest. Interest on the Bonds will accrete in value at the rates of 4.35% to 6.58%. Repayments of the accreted principal commenced June 1, 2008.

D. 1999 Certificates of Participation

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

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

E. Natural Disaster Assistance Loan

On June 9, 2001, the City obtained a loan from the Governor's Office of Emergency Services. The loan was used to repair and restore public facilities as a result of a landslide. Principal and interest payments were deferred for 3 years with annual interest payments.

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

F. 2005 Redevelopment Agency Tax Allocation Bonds

On January 13, 2005, the Redevelopment Agency issued 2005 Redevelopment Agency Tax Allocation Bonds in the original principal amount of \$8,590,000. The proceeds were used to repay the 1993 Tax Allocation Bonds and to finance redevelopment activities in the project area. As a result, the 1993 Bonds were called on March 1, 2005. Interest payments are due each February 1 and August 1 and principal payments are due each August 1. These debt service payments are pledged by a security interest in and lien on Tax Revenues, as defined by the bond Indenture, 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.

The total principal and interest remaining to be paid on the bonds is \$13,891,993. Principal and interest paid for the current year was \$461,325.

For the fiscal year ended June 30, 2010, tax increment revenue, less 20% set-aside deposited into the low and moderate housing special revenue fund and pass-through and SERAF payments, amounted to \$1,144,524 which represented coverage of 2.5 over \$461,325 in debt service.

G. 2006 Lease Purchase Financing – Phone System

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

H. 2007 Lease Purchase Financing – Fire Apparatus

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

I. 2007 Lease Purchase Financing – Police Vehicle

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

J. 2005 Bank Loan

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

Under the 2005 Bank Loan, principal and interest were due each April 27 and October 27 until 2025. The loan was paid off as of June 30, 2010, using the proceeds from the issuance of the 2009 Wastewater Revenue B Certificates of Participation.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

K. 2008 Subordinate Wastewater Revenue Notes

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

The note was paid off as of June 30, 2010 using the proceeds from the 2009 Wastewater Revenue B Certificates of Participation. See section M below for additional information.

L. 2009 State Water Resources Control Board Loan

On October 1, 2009 the City of Millbrae entered into a loan agreement with the State Water Resources Control Board, to fund the Water Pollution Control Plant Renovation Project. Under the agreement, the State Water Board agrees to provide project funds in the maximum amount of \$28,397,180. The project funds will be repaid at an interest rate of one percent (1%) per annum. Repayment of project funds together with all interest accruing will be repaid in annual installments, beginning one year after the completion of the Water Pollution Control Plant. The repayment will not begin until the completion of project on April 1, 2013.

M. 2009 Wastewater Revenue Certificates of Participation (COP)

On December 15, 2009, the City, under an installment sale agreement with the Millbrae Financing Authority, issued 2009 Wastewater Revenue Certificates of Participation, Series A and Series B, to finance a portion of the renovation and modernization of the City's wastewater treatment facilities.

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

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 5.0%.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 8 - LONG TERM DEBT (Continued)

N. Debt Service Requirements

Annual debt service requirements are shown below:

Year ending June 30:	Governmental Activities			Business-Type Activities		
	Principal (A)	Interest	Total	Principal	Interest	Total
2011	\$1,385,264	\$1,048,674	\$2,433,938	\$1,600,000	\$801,550	\$2,401,550
2012	1,315,000	1,022,314	2,337,314	1,630,000	769,250	2,399,250
2013	1,575,000	998,967	2,573,967	949,473	769,975	1,719,448
2014	1,440,000	974,896	2,414,896	243,413	764,524	1,007,937
2015	1,500,000	951,130	2,451,130	249,297	758,915	1,008,212
2016-2020	8,640,000	4,325,218	12,965,218	1,365,059	3,680,527	5,045,586
2021-2025	10,555,000	3,386,050	13,941,050	1,628,525	3,417,911	5,046,436
2026-2030	11,825,000	2,379,029	14,204,029	508,191	3,243,870	3,752,061
2031-2035	12,765,000	1,230,039	13,995,039	4,715,461	2,882,787	7,598,248
2036-2040	2,110,000	94,986	2,204,986	5,560,000	1,071,139	6,631,139
Total	<u>\$53,110,264</u>	<u>\$16,411,303</u>	<u>\$69,521,567</u>	18,449,419	<u>\$18,160,448</u>	<u>\$36,609,867</u>
		Premium, net of amortization		121,367		
				<u>\$18,570,786</u>		

(A) Includes unaccrued discount totaling \$16,623,733

O. Debt without City Commitment

On September 1, 1997 the City sponsored the issuance of the City of Millbrae Residential Facility Revenue Bonds, Series 1997A which were issued in the aggregate principal amount of \$30,000,000 to assist a developer in financing the cost of site acquisition, demolition and construction of a 158 unit assisted living facility and parking garage. The Bonds are payable solely out of the revenues from operating the facility and the project is pledged as security for the Bonds. The City has no legal or moral liability with respect to the payment of this debt. The outstanding principal balance at June 30, 2010 was \$25,760,000.

NOTE 9 – NET ASSETS AND FUND BALANCES

A. Net Assets

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

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

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

B. Fund Balance

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

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

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

C. Restatement of Beginning Fund Balance and Beginning Net Assets

During the current fiscal year, the City determined that AB 2928 Special Revenue grant funding of \$382,000 which was recognized in prior fiscal year (2008-2009) should have been recognized in the current fiscal year. As required by generally accepted accounting principles, the City reduced AB 2928 Grant Special Revenue Fund beginning fund balance; and governmental activities beginning net assets by \$382,000.

D. Reservations

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

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

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

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

Reserved for **land held for resale** is the carrying value of property held by the Redevelopment Agency, which is reserved since it is not an available spendable resource.

E. Designations

Designated for **Other Postemployment Benefits** is the portion of fund balance to be used for OPEB costs.

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

F. Fund Deficit

As of June 30, 2010 the following funds had fund deficits, which are expected to be eliminated by future revenues:

Redevelopment Agency Special Revenue Fund	\$1,080,994
Special Recreation Special Revenue Fund	301

NOTE 10 - RETIREMENT BENEFITS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2010, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	2.4%-3%	2.0%-2.7%
Required employee contribution rates	9.000%	8.000%
Required employer contribution rates	Police: 17.858% Fire: 20.436%	12.388%

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 10 - RETIREMENT BENEFITS (Continued)

The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the last three fiscal years were as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2008	\$831,630	100%	\$0
June 30, 2009	903,754	100%	0
June 30, 2010	952,864	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2008	\$758,864	100%	0
June 30, 2009	795,044	100%	0
June 30, 2010	808,654	100%	0

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

The City prepaid its pension contributions with proceeds from the Pension Obligation Bonds (See Note 8). These prepaid contributions are reflected in the accompanying financial statements as Prepaid Pension Obligations which amounted to \$8,034,561 at June 30, 2010. During fiscal 2009-2010, the amortization of the prepayment increased the actuarially required contributions by \$586,956 to arrive at Annual Pension Costs of \$1,761,518.

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

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CALPERS' latest actuarial value (which differs from market value) and funding progress for the State-wide pools are shown below:

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 10 - RETIREMENT BENEFITS (Continued)

State-wide pool Safety Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2006	\$1,473,284,852	\$1,252,059,468	\$221,225,384	85.0%	\$177,088,890	124.9%
2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%
2008	1,755,559,311	1,517,609,609	237,949,702	86.4%	210,590,567	113.0%

The City's Safety Plan represents approximately 2%, 2%, and 3% of the State-wide pool for the years ended June 30, 2008, 2007, and 2006, respectively, based on covered payroll of \$4,935,316, \$4,894,470 and \$4,617,484 for those years.

State-wide pool Miscellaneous Plan:

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2006	\$1,280,157,040	\$1,069,546,974	\$210,610,066	83.5%	\$304,898,179	69.1%
2007	1,627,025,950	1,362,059,317	264,966,633	83.7%	376,292,121	70.4%
2008	1,823,366,479	1,529,548,799	293,817,680	83.9%	414,589,514	70.9%

The City's Miscellaneous Plan represents approximately 2%, 2%, and 2% of the State-wide pool for the years ended June 30, 2008, 2007, and 2006, respectively, based on covered payroll of \$6,537,810, \$6,673,755 and \$6,508,989 for those years.

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

C. *Deferred Compensation Plan*

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

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 –POST-EMPLOYMENT BENEFITS

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

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

Eligibility	<ul style="list-style-type: none"> Service (50 & 5 years CalPERS service) or Disability retirement Retire directly from City under CalPERS
Management & Confidential	<p>PEMHCA Unequal Method:</p> <ul style="list-style-type: none"> Actives: City contributes premium up to CalPERS Blue Shield Family Premium for employees (\$1,457.48 in 2009) Retirees: City contribution equal to 5% of active contribution times years of participation in PEMHCA (max \$100/month annual increase) Management & Confidential joined PEMHCA in 1986 City pays premium and reimburses Medicare Parts A & B Total City payments not to exceed unequal method benefit caps: <p style="text-align: center;">2007: \$ 607.50 2008: \$ 707.50 2009: \$ 807.50</p>
Police Officer	City contributes greater of PEMHCA minimum (\$101 in 2009) and vesting benefit.
Firefighter	<ul style="list-style-type: none"> City contributes maximum monthly amount of \$221.50, reduced by PEMHCA minimum, if applicable Retirees not in PEMHCA receive \$221.50
Sanitation	<ul style="list-style-type: none"> PEMHCA minimum
Teamsters	<ul style="list-style-type: none"> Teamsters Local 856 Health & Welfare Trust Retiree pays full premium Possible Implied Subsidy cost
Surviving Spouse Benefit	<ul style="list-style-type: none"> 100% of retiree benefit continues to surviving spouse if retiree elects CalPERS survivor annuity

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

As of June 30, 2010, approximately 54 participants were eligible to receive benefits.

A. *Funding Policy and Actuarial Assumptions*

The annual required contribution (ARC) was determined as part of a January 1, 2009 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.25% investment rate of return, (b) 3.25% projected annual salary increase, and (c) 3% general inflation increases. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over fixed 30 year closed amortization period.

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 2010, the City made contribution in excess of the ARC and amortized its net OPEB obligation as presented below:

Annual required contribution (ARC)	\$ 1,389,059
Interest on net OPEB obligation	33,745
Adjustment to annual required contribution	71,589
Annual OPEB cost	<u>\$ 1,351,215</u>
 Contributions made:	
City portion of current year premiums paid	<u>538,044</u>
Change in net OPEB obligation/(asset)	813,171
Net OPEB Obligation (Asset) at June 30, 2009	<u>983,683</u>
Net OPEB Obligation (Asset) at June 30, 2010	<u>\$ 1,796,854</u>

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 11 – POST-EMPLOYMENT BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the years ended June 30, 2009 are set forth below (in thousands):

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of APC Contributed		Net OPEB Obligation
			Contributed	APC	
6/30/2009	\$1,296,000	\$312,317	24%		\$983,683
6/30/2010	1,351,215	538,044	40%		1,796,854

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 January 1, 2009 actuarial study is presented below:

(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age	Overfunded (Underfunded)		Funded Ratio (A/B)	Covered Payroll (C)	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll [(A-B)/C]
			Actuarial Accrued Liability (B)	Actuarial Accrued Liability (A-B)			
1/1/2009	\$0	\$14,171	(\$14,171)	0.00%		\$8,602	(164.7%)

At June 30, 2010, the City designated \$1,532,462 of General Fund, balance for this postemployment benefit.

NOTE 12 - RISK MANAGEMENT

A. Insurance Coverage

The City participates in Association of Bay Area Governments (ABAG) Plan Corporation, a non profit benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$15,000,000 of general liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. ABAG Plan also provides \$1,000,000 of employee theft coverage in the excess of the city's \$5,000 deductible. For the year ended June 30, 2010, the City paid ABAG Plan \$231,538 in premiums and did not receive a refund of premiums paid in prior years. Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94694-2050.

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

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 12 - RISK MANAGEMENT (Continued)

B. Liability for Uninsured Claims

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

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

	Fiscal 2009-2010			Fiscal 2008-2009 Totals
	Workers' Compensation Claims	General Liability Claims	Total	
Balances, beginning of year	\$894,000	\$101,587	\$995,587	\$613,785
Net change in:				
Liability for current fiscal year claims	248,741	94,334	343,075	324,705
Liability for prior fiscal year claims and claims incurred but not reported (IBNR)	731,713	130,506	862,219	863,263
Claims paid	<u>(527,454)</u>	<u>(186,719)</u>	<u>(714,173)</u>	<u>(806,166)</u>
Balances, end of year	<u><u>\$1,347,000</u></u>	<u><u>\$139,708</u></u>	<u><u>\$1,486,708</u></u>	<u><u>\$995,587</u></u>
Current portion	<u><u>\$383,831</u></u>	<u><u>\$130,837</u></u>	<u><u>\$514,668</u></u>	

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

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

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

City/County Association of Governments of San Mateo County was formed in 1990 between the County and various cities in San Mateo County to prepare, adopt, monitor and enforce state mandated plans for the management of traffic congestion, integrated solid waste, airport land use and hazardous waste. The City's contribution to C/CAG was \$78,773 for the year ended June 30, 2010. Financial statements may be obtained by mailing a request to the City of San Carlos, 666 Elm Street, San Carlos, CA 94070.

CITY OF MILLBRAE
Notes to Financial Statements

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Transportation System Management

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

NOTE 14 – CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

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

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

NOTE 15 – TAX INCREMENT SHIFT TO SUPPLEMENTAL EDUCATIONAL REVENUE AUGMENTATION FUND (SERAFF)

The State of California adopted AB26 4X in July 2009 which directs that a portion of the incremental property taxes received by redevelopment agencies be paid instead to the County supplemental educational revenue augmentation fund (SERAFF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAFF payment by November 15 of each year, and payments are due by May 10 of the applicable year. The Agency made its first SERAFF payment in the amount of \$1,203,082.

Based on the formula mandated by AB26 4X, the Agency's SERAFF payment is estimated to be \$247,693 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAFF payments. The obligation to make the SERAFF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAFF payment the Agency may not encumber or expend future funds other than to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on Agency administration for the preceding fiscal year until the SERAFF is paid in full.



REQUIRED SUPPLEMENTARY INFORMATION



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

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

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

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

CITY OF MILLBRAE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property tax	\$7,525,174	\$7,382,500	\$7,382,500	
Sales tax	2,240,000	1,974,439	1,974,439	
Transient occupancy tax	3,047,000	2,864,960	2,864,960	
Franchise tax	1,005,000	1,040,187	1,040,187	
Other taxes	168,280	219,131	219,131	
Licenses and permits	668,500	645,172	645,172	
Charges for services	643,580	812,202	812,202	
Fines and forfeitures	859,473	1,097,610	1,097,610	
Use of money and property	483,450	417,583	417,583	
Grants and intergovernmental	179,000	103,634	103,634	
Miscellaneous	310,321	584,740	584,740	
Total Revenues	17,129,778	17,142,158	17,142,158	
EXPENDITURES:				
Current:				
General government:				
City council	112,143	102,482	102,469	13
City clerk	217,460	205,383	205,383	
Treasurer	7,389	5,544	5,544	
Administration	135,509	141,436	141,436	
Attorney	182,216	192,500	192,500	
General services:				
Finance	814,753	722,050	722,050	
Human resource	201,130	271,312	271,312	
General government building	140,752	137,435	137,435	
Non-departmental	754,939	(90,728)	(90,728)	
Total general government	2,566,291	1,687,414	1,687,401	13
Public safety:				
Police	5,126,381	5,852,058	5,852,058	
Fire	4,394,211	4,973,816	4,973,816	
Total public safety	9,520,592	10,825,874	10,825,874	
Highways and streets:				
Engineering	686,342	643,549	643,549	
Maintenance	740,205	682,278	682,278	
Total highways and streets	1,426,547	1,325,827	1,325,827	
Culture and recreation	11,988	6,644	6,644	
Community development	1,678,783	1,518,297	1,518,297	
Capital outlay	68,820	63,825	63,825	
Debt service:				
Principal	846,914	846,898	846,898	
Interest and fiscal charges	8,348	8,059	8,059	
Total Expenditures	16,128,283	16,282,838	16,282,825	13
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,001,495	859,320	859,333	13
OTHER FINANCING SOURCES (USES)				
Transfers in	17,000	862,112	862,112	
Transfers (out)	(1,154,876)	(1,279,128)	(1,608,078)	(328,950)
Total other financing sources (uses)	(1,137,876)	(417,016)	(745,966)	(328,950)
NET CHANGE IN FUND BALANCES	(\$136,381)	\$442,304	113,367	(\$328,937)
BEGINNING FUND BALANCE			2,748,966	
ENDING FUND BALANCE			\$2,862,333	

CITY OF MILLBRAE
 REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GOVERNMENTAL REVENUES				
Property tax	\$1,070,771	\$1,086,039	\$1,086,039	
Use of money and property	7,000	(6,273)	(6,273)	
Miscellaneous	100	100	100	
Total Revenues	1,077,771	1,079,866	1,079,866	
EXPENDITURES				
Community development	212,807	1,670,656	1,670,656	
Payments to property tax pass through	325,000	306,176	306,176	
Total Expenditures	537,807	1,976,832	1,976,832	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	539,964	(896,966)	(896,966)	
OTHER FINANCING SOURCES (USES)				
Transfers in	(112,946)	(124,878)	(124,878)	
Transfers (out)	(112,946)	(124,878)	(124,878)	
Total Other Financing Sources (Uses)	(112,946)	(124,878)	(124,878)	
NET CHANGE IN FUND BALANCES	\$427,018	(\$1,021,844)	(1,021,844)	
BEGINNING FUND BALANCE				(59,150)
ENDING FUND BALANCE				(\$1,080,994)

CITY OF MILLBRAE
MILLBRAE STATION AREA DEVELOPER FEE - OPERATING SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
GOVERNMENTAL REVENUES				
Licenses and permits	\$109,640			
Charges for services		\$34,033	\$34,033	
Use of money and property		590	590	
Total Revenues	109,640	34,623	34,623	
EXPENDITURES				
General government		2,897	2,897	
Highway and streets		35,157	35,157	
Community development	\$31,738	104,191	104,191	
Total Expenditures	31,738	142,245	142,245	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	77,902	(107,622)	(107,622)	
OTHER FINANCING SOURCES (USES)				
Transfers in		41,061	41,061	
Transfers (out)	(94,640)	(1,947,982)	(1,947,982)	
Total Other Financing Sources (Uses)	(94,640)	(1,906,921)	(1,906,921)	
NET CHANGE IN FUND BALANCES	(\$16,738)	(\$2,014,543)	(2,014,543)	
BEGINNING FUND BALANCE			4,058,646	
ENDING FUND BALANCE			\$2,044,103	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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



OTHER SUPPLEMENTARY INFORMATION



MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS
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Redevelopment Agency Debt Service Fund-To account for the accumulation of resources for payment of principal and interest on the Millbrae Redevelopment Agency debt. The Agency receives revenues from property tax increment.

CITY OF MILLBRAE
REDEVELOPMENT AGENCY DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>			Positive (Negative)
	Original	Final	Actual	
GOVERNMENTAL REVENUES				
Property tax	\$4,282,000	\$4,344,159	\$4,344,159	
Use of money and property	12,000	103,129	103,129	
Total Revenues	4,294,000	4,447,288	4,447,288	
EXPENDITURES				
Community development		21,693	21,693	
Payments to property tax pass-throughs	1,700,000	2,893,459	2,893,459	
Debt service:				
Principal	105,000	105,000	105,000	
Interest and fiscal charges	459,731	459,739	459,739	
Total Expenditures	2,264,731	3,479,891	3,479,891	
EXCESS OF REVENUES OVER EXPENDITURES	2,029,269	967,397	967,397	
OTHER FINANCING SOURCES (USES)				
Transfers in	112,946	112,944	112,944	
Transfers (out)	(876,481)	(876,480)	(876,480)	
Total Other Financing Sources (Uses)	(763,535)	(763,536)	(763,536)	
NET CHANGE IN FUND BALANCES	\$1,265,734	\$203,861	203,861	
BEGINNING FUND BALANCE			5,080,777	
ENDING FUND BALANCE			<u>\$5,284,638</u>	

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

AB2928 Grant – To account for grants received from AB2928.

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

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

Other - To account for moneys received from the Asset Forfeitures Grants,

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

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

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

Debt Service Funds

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

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

Capital Project Funds

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

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

CITY OF MILLBRAE
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2010

SPECIAL REVENUE FUNDS

	COPs and Other Grants	Measure A	Noise Insulation Grant	Gas Tax
ASSETS				
Cash and investments	\$6,254	\$1,012,131	\$18,669	\$527,296
Cash with fiscal agent				
Receivables:				
Taxes		26,651		37,041
Accounts - net				
Due from other governmental agencies	9,938	10,129		
Total Assets	\$16,192	\$1,048,911	\$18,669	\$564,337
LIABILITIES				
Accounts payable				\$18,536
Deposits				
Unearned revenue				
Total Liabilities				18,536
FUND BALANCE				
Fund balances:				
Reserved for				
Encumbrances		\$143,590		
Debt service				
Unreserved:				
Undesignated	\$16,192	905,321	\$18,669	545,801
Total Fund Balances	16,192	1,048,911	18,669	545,801
Total Liabilities and Fund Balances	\$16,192	\$1,048,911	\$18,669	\$564,337

SPECIAL REVENUE FUNDS

AB2928 Grant	Special Recreation	Integrated Waste Management	Other	Sister City	Park Improvement	Joint Fire Training
\$951,417	\$173,654	\$97,756	\$2,938,550	\$7,813	\$10,563	\$30,231
2,696 55,015	24,053 108	33,512 1,106	265,050			78,333
\$1,009,128	\$197,815	\$132,374	\$3,203,600	\$7,813	\$10,563	\$108,564
\$48,336 16,264 133,516	\$6,395 29,800	\$574,673 1			\$470	\$11,245
198,116	36,195	574,674			470	11,245
	4,000		731,899			
\$1,009,128	(301)	92,179	1,897,027	\$7,813	\$10,093	97,319
1,009,128	(301)	96,179	2,628,926	7,813	10,093	97,319
\$1,009,128	\$197,815	\$132,374	\$3,203,600	\$7,813	\$10,563	\$108,564

(Continued)

CITY OF MILLBRAE
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2010

	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
	1999 COPS	Library Bonds	Developer Fee	Special Assessment District	
ASSETS					
Cash and investments	\$60,567	\$702,190	\$145,436	\$35,083	\$6,717,610
Cash with fiscal agent	334,663		1,537,040		1,871,703
Receivables:					
Taxes					63,692
Accounts - net					60,261
Due from other governmental agencies					419,679
Total Assets	\$395,230	\$702,190	\$1,682,476	\$35,083	\$9,132,945
LIABILITIES					
Accounts payable			\$2,147		\$661,802
Deposits			554,320		600,384
Unearned revenue					133,517
Total Liabilities			556,467		1,395,703
FUND BALANCE					
Fund balances:					
Reserved for					
Encumbrances					879,489
Debt service	\$395,230	\$702,190			1,097,420
Unreserved:					
Undesignated			1,126,009	\$35,083	5,760,333
Total Fund Balances	395,230	702,190	1,126,009	35,083	7,737,242
Total Liabilities and Fund Balances	\$395,230	\$702,190	\$1,682,476	\$35,083	\$9,132,945



CITY OF MILLBRAE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS

	COPs and Other Grants	Measure A	Noise Insulation Grant	Gas Tax
GOVERNMENTAL REVENUES				
Property tax				
Other taxes			\$374,740	
License and permits				
Charges for services				
Use of money and property	\$523	7,965		\$4,326
Grants and intergovernmental	101,081			368,097
Miscellaneous				
Total Revenues	101,604	382,705		372,423
EXPENDITURES				
Current:				
Public safety	104,058			
Highways and streets		73,221		329,972
Culture and recreation				
Community development				
Capital outlay		30		19,281
Debt service:				
Principal				
Interest and fiscal charges				
Total Expenditures	104,058	73,251		349,253
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(2,454)	309,454		23,170
OTHER FINANCING SOURCES (USES)				
Transfers in		61,325		
Transfers (out)	(75,638)	(57,537)		(13,855)
Total Other Financing Sources (Uses)	(75,638)	3,788		(13,855)
NET CHANGE IN FUND BALANCES				
	(78,092)	313,242		9,315
BEGINNING FUND BALANCES (DEFICITS)				
as restated (Note 9c)	94,284	735,669	18,669	536,486
ENDING FUND BALANCES (DEFICITS)				
	\$16,192	\$1,048,911	\$18,669	\$545,801

AB2928 Grant	Special Recreation	Integrated Waste Management	Other	Sister City	Park Improvement	Joint Fire Training
\$6,133	\$685,170	\$212,483	\$24,656			
6,351	201,728	1,292	156,000			\$211,599
577,834	122	6,500	3,889	\$76		
	440		1,143,482			
			2,663	1,687	\$11,426	
<u>590,318</u>	<u>887,460</u>	<u>220,275</u>	<u>1,330,690</u>	<u>1,763</u>	<u>11,426</u>	<u>211,599</u>
646		250,323	833			229,063
	1,288,477		44,075			
679,511			1,757		7,958	7,585
			2,430,514			
			135,841			
<u>680,157</u>	<u>1,288,477</u>	<u>250,323</u>	<u>2,611,263</u>	<u>1,757</u>	<u>7,958</u>	<u>236,648</u>
(89,839)	(401,017)	(30,048)	(1,280,573)	6	3,468	(25,049)
400,715		2,183,522				39,672
	(24,778)	(113,390)				
<u>400,715</u>	<u>(24,778)</u>	<u>2,070,132</u>				<u>39,672</u>
(89,839)	(302)	(54,826)	789,559	6	3,468	14,623
<u>1,098,967</u>	<u>1</u>	<u>151,005</u>	<u>1,839,367</u>	<u>7,807</u>	<u>6,625</u>	<u>82,696</u>
<u>\$1,009,128</u>	<u>(\$301)</u>	<u>\$96,179</u>	<u>\$2,628,926</u>	<u>\$7,813</u>	<u>\$10,093</u>	<u>\$97,319</u>

(Continued)

CITY OF MILLBRAE
 NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2010

	DEBT SERVICE FUNDS		CAPITAL PROJECTS FUNDS		Total Nonmajor Governmental Funds
	1999 COPS	Library Bonds	Developer Fee	Special Assessment District	
GOVERNMENTAL REVENUES					
Property tax		\$635,961			\$635,961
Other taxes					374,740
License and permits			\$117,342		141,998
Charges for services			51,920		1,323,305
Use of money and property	\$18,311		887		245,348
Grants and intergovernmental					2,197,116
Miscellaneous					16,216
Total Revenues	18,311	635,961	170,149		4,934,684
EXPENDITURES					
Current:					
Public safety					333,954
Highways and streets			11,512		709,749
Culture and recreation					1,290,234
Community development			1,015		2,439,487
Capital outlay					842,248
Debt service:					
Principal	140,000	85,000			225,000
Interest and fiscal charges	180,564	528,216			708,780
Total Expenditures	320,564	613,216	12,527		6,549,452
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(302,253)	22,745	157,622		(1,614,768)
OTHER FINANCING SOURCES (USES)					
Transfers in	314,268				2,999,502
Transfers (out)			(96,000)		(381,198)
Total Other Financing Sources (Uses)	314,268		(96,000)		2,618,304
NET CHANGE IN FUND BALANCES	12,015	22,745	61,622		1,003,536
BEGINNING FUND BALANCES (DEFICITS)	383,215	679,445	1,064,387	\$35,083	6,733,706
ENDING FUND BALANCES (DEFICITS)	\$395,230	\$702,190	\$1,126,009	\$35,083	\$7,737,242



CITY OF MILLBRAE
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS						
	COPS & OTHER GRANTS		MEASURE A			
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax				\$374,740	\$374,740	
Other taxes						
License and permits						
Charges for services						
Use of money and property	\$523	\$523		7,965	7,965	
Grants and intergovernmental	101,081	101,081				
Miscellaneous						
Total Revenues	101,604	101,604		382,705	382,705	
EXPENDITURES						
Current:						
Public safety:						
Police	104,058	104,058				
Fire						
Highways and streets						
Engineering						
Maintenance				73,221	73,221	
Culture and recreation						
Community development						
Capital outlay				30	30	
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	104,058	104,058		73,251	73,251	
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,454)	(2,454)		309,454	309,454	
OTHER FINANCING SOURCES (USES)						
Transfers in				61,325	61,325	
Transfers (out)	(75,638)	(75,638)		(57,537)	(57,537)	
Total Other Financing Sources (Uses)	(75,638)	(75,638)		3,788	3,788	
NET CHANGE IN FUND BALANCES	(\$78,092)	(78,092)		\$313,242	313,242	
BEGINNING FUND BALANCES (DEFICITS)		94,284			735,669	
ENDING FUND BALANCES (DEFICITS)		\$16,192			\$1,048,911	

SPECIAL REVENUE FUNDS

(Continued)

CITY OF MILLBRAE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

SPECIAL REVENUE FUNDS						
	SPECIAL RECREATION		Variance Positive (Negative)	INTEGRATED WASTE MANAGEMENT		
	Budget	Actual		Budget	Actual	Variance Positive (Negative)
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$685,170	\$685,170		\$212,483	\$212,483	
Use of money and property	201,728	201,728		1,292	1,292	
Grants and intergovernmental	122	122		6,500	6,500	
Miscellaneous	440	440				
Total Revenues	887,460	887,460		220,275	220,275	
EXPENDITURES						
Current:						
Public safety:						
Police						
Highways and streets						
Engineering				250,323	250,323	
Maintenance						
Culture and recreation	1,288,477	1,288,477				
Community development						
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	1,288,477	1,288,477		250,323	250,323	
Non-operating Revenues (Expenses):						
Interest expense						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(401,017)	(401,017)		(30,048)	(30,048)	
OTHER FINANCING SOURCES (USES)						
Transfers in	400,715	400,715				
Transfers (out)				(24,778)	(24,778)	
Total Other Financing Sources (Uses)	400,715	400,715		(24,778)	(24,778)	
NET CHANGE IN FUND BALANCES	(\$302)	(302)		(\$54,826)	(54,826)	
BEGINNING FUND BALANCES		1			151,005	
ENDING FUND BALANCES (DEFICITS)		(\$301)			\$96,179	

SPECIAL REVENUE FUNDS

OTHER		SISTER CITY		PARK IMPROVEMENT	
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$24,656	\$24,656				
156000	156,000				
3,889	3,889		\$76	\$76	
1,143,482	1,143,482				
2,663	2,663		\$1,687	1,687	
					11,426
<u>1,330,690</u>	<u>1,330,690</u>		<u>1,763</u>	<u>1,763</u>	
					11,426
833	833				
24,366	24,366				
19,709	19,709				
			1,757	1,757	
2,430,514	2,430,514				
135,841	135,841				\$7,958
					7,958
<u>2,611,263</u>	<u>2,611,263</u>		<u>1,757</u>	<u>1,757</u>	
<u>(1,280,573)</u>	<u>(1,280,573)</u>		<u>6</u>	<u>6</u>	
					3,468
					3,468
2,183,522	2,183,522				
(113,390)	(113,390)				
2,070,132	2,070,132				
<u>\$789,559</u>	<u>789,559</u>		<u>\$6</u>	<u>6</u>	
					\$3,468
					3,468
	1,839,367			7,807	
					6,625
	<u>\$2,628,926</u>			<u>\$7,813</u>	
					<u>\$10,093</u>

(Continued)

CITY OF MILLBRAE
BUDGETED NON-MAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
	JOINT FIRE TRAINING		1999 COPS	JOINT FIRE TRAINING		1999 COPS
	Budget	Actual		Budget	Actual	
GOVERNMENTAL REVENUES						
Property tax						
Other taxes						
License and permits						
Charges for services	\$211,599	\$211,599				
Use of money and property			\$18,311		\$18,311	
Grants and intergovernmental						
Miscellaneous						
Total Revenues	211,599	211,599		18,311	18,311	
EXPENDITURES						
Current:						
Public safety						
Public safety	229,063	229,063				
Highways and streets						
Public safety						
Public safety						
Culture and recreation						
Community development						
Capital outlay	7,585	7,585				
Debt service:						
Principal			140,000	140,000		
Interest and fiscal charges			180,565	180,564		1
Total Expenditures	236,648	236,648		320,565	320,564	1
EXCESS (DEFICIENCY) OF REVENUES						
OVER EXPENDITURES	(25,049)	(25,049)		(302,254)	(302,253)	1
OTHER FINANCING SOURCES (USES)						
Transfers in	39,672	39,672		314,268	314,268	
Transfers (out)						
Total Other Financing Sources (Uses)	39,672	39,672		314,268	314,268	
NET CHANGE IN FUND BALANCES	\$14,623	14,623		\$12,014	12,015	\$1
BEGINNING FUND BALANCES		82,696			383,215	
ENDING FUND BALANCES (DEFICITS)		\$97,319			\$395,230	

DEBT SERVICE FUNDS

LIBRARY BONDS

Variance
Positive
(Negative)

Budget	Actual	
--------	--------	--

\$635,961	\$635,961	
-----------	-----------	--

635,961	635,961	
---------	---------	--

85,000	85,000	
528,215	528,216	(1)
613,215	613,216	(1)

22,746	22,745	(1)
--------	--------	-----

\$22,746	22,745	(\$1)
	679,445	
	<u>\$702,190</u>	



INTERNAL SERVICE FUNDS

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

The City's Internal Service Funds are as follows:

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

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

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

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

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010

	<u>Municipal Garage</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>General Liability</u>	<u>Total</u>
ASSETS					
Current Assets:					
Cash and investments	\$538,192		\$1,347,000	\$146,982	\$2,032,174
Receivable:					
Accounts - net	1,197				1,197
Total Current Assets	<u>539,389</u>		<u>1,347,000</u>	<u>146,982</u>	<u>2,033,371</u>
Noncurrent Assets:					
Capital assets					
Depreciable capital assets, net	1,145,739				1,145,739
Total Assets	<u>1,685,128</u>		<u>1,347,000</u>	<u>146,982</u>	<u>3,179,110</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	10,529			7,275	17,804
Interest payable	2,240				2,240
Accrued self-insurance (Note 12)		383,831		130,837	514,668
Long-term debt due within one year	90,159				90,159
Total Current Liabilities	<u>102,928</u>		<u>383,831</u>	<u>138,112</u>	<u>624,871</u>
Noncurrent Liabilities:					
Compensated absences	32,856				32,856
Accrued self-insurance (Note 12)		963,169		8,871	972,040
Total Liabilities	<u>135,784</u>		<u>1,347,000</u>	<u>146,983</u>	<u>1,629,767</u>
NET ASSETS					
Invested in capital assets, net of related debt	1,055,580				1,055,580
Unrestricted	493,764			(1)	493,763
Total Net Assets (Deficits)	<u>\$1,549,344</u>			<u>(\$1)</u>	<u>\$1,549,343</u>

CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
OPERATING REVENUES					
Equipment rental	\$723,132				\$723,132
Interdepartmental charges		\$14,376	\$947,148	\$437,013	1,398,537
Miscellaneous	11,441	\$18,355	991	93,851	124,638
Total Operating Revenues	734,573	32,731	948,139	530,864	2,246,307
OPERATING EXPENSES					
Personnel services	225,767		113,455	96,819	436,041
Contractual services	159,602	29	71,500	24,074	255,205
Materials, supplies and other services	134,415				134,415
Depreciation	206,888				206,888
Utilities					
Insurance premiums and claims	17,714	32,702	1,164,455	385,555	1,600,426
Total Operating Expenses	744,386	32,731	1,349,410	506,448	2,632,975
Operating Income (Loss)	(9,813)		(401,271)	24,416	(386,668)
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	8,885				8,885
Interest revenue			51		51
Interest expense	(8,001)				(8,001)
Total Nonoperating Revenues (Expenses)	884		51		935
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENSES	(8,929)		(401,220)	24,416	(385,733)
Transfers in	204,648		564,475		769,123
Transfers (out)	(37,735)		(14,230)	(11,918)	(63,883)
Transfers	166,913		550,245	(11,918)	705,240
Change in Net Assets	157,984		149,025	12,498	319,507
BEGINNING NET ASSETS	1,391,360		(149,025)	(12,499)	1,229,836
ENDING NET ASSETS (DEFICIT)	\$1,549,344			(\$1)	\$1,549,343

**CITY OF MILLBRAE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010**

	Municipal Garage	Unemployment Insurance	Workers' Compensation	General Liability	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$735,770	\$32,731	\$948,139	\$530,864	\$2,247,504
Payments to suppliers	(310,034)	(29)	(71,641)	(21,129)	(402,833)
Payments to employees	(221,234)		(113,455)	(96,819)	(431,508)
Claims paid	(17,714)	(32,702)	(711,455)	(347,434)	(1,109,305)
Cash Flows from Operating Activities	<u>186,788</u>		<u>51,588</u>	<u>65,482</u>	<u>303,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	204,648		564,475		769,123
Transfers (out)	(37,735)		(14,230)	(11,918)	(63,883)
Cash Flows from Noncapital Financing Activities	<u>166,913</u>		<u>550,245</u>	<u>(11,918)</u>	<u>705,240</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(2,554)				(2,554)
Interest payment on capital debt	(10,829)				(10,829)
Principal payments on capital debt	(122,987)				(122,987)
Cash Flows from Capital and Related Financing Activities	<u>(136,370)</u>				<u>(136,370)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income			51		51
Cash Flows from Investing Activities			<u>51</u>		<u>51</u>
Net Cash Flows	217,331		601,884	53,564	872,779
Cash and investments at beginning of period	<u>320,861</u>		<u>745,116</u>	<u>93,418</u>	<u>1,159,395</u>
Cash and investments at end of period	<u>\$538,192</u>		<u>\$1,347,000</u>	<u>\$146,982</u>	<u>\$2,032,174</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$9,813)		(\$401,271)	\$24,416	(\$386,668)
Adjustments to reconcile operating income to net cash flows from operating activities:					
Depreciation	206,888				206,888
Change in assets and liabilities:					
Accounts receivable	1,197				1,197
Accounts payable	(16,017)		(141)	2,945	(13,213)
Compensated absences	4,533				4,533
Accrued self-insurance		453,000	38,121		491,121
Cash Flows from Operating Activities	<u>\$186,788</u>		<u>\$51,588</u>	<u>\$65,482</u>	<u>\$303,858</u>

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

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

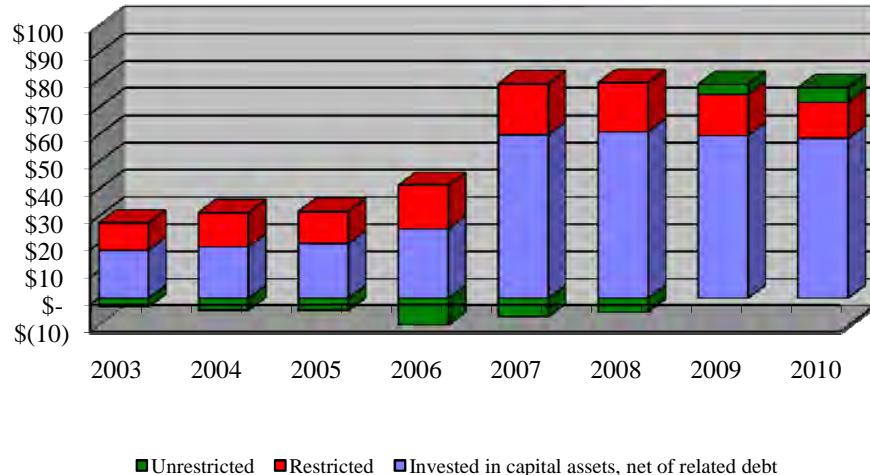
1. Full-Time Equivalent City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Sources

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



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



	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities								
Invested in capital assets, net of related debt	\$6.7	\$7.9	\$8.8	\$8.7	\$49.6	\$49.0	\$48.8	\$47.2
Restricted	9.9	12.5	11.8	16.0	18.7	17.6	15.1	13.2
Unrestricted	(6.8)	(8.6)	(8.6)	(10.3)	(10.7)	(8.7)	(4.8)	(3.7)
Total governmental activities net assets	\$9.8	\$11.8	\$12.0	\$14.4	\$57.6	\$57.9	\$59.1	\$56.7
Business-type activities								
Invested in capital assets, net of related debt	\$11.0	\$11.0	\$11.2	\$16.7	\$10.4	\$12.1	\$10.9	\$11.5
Unrestricted	3.6	4.2	4.0	(0.6)	4.0	4.1	8.5	9.1
Total business-type activities net assets	\$14.6	\$15.2	\$15.2	\$16.1	\$14.4	\$16.2	\$19.4	\$20.6
Primary government								
Invested in capital assets, net of related debt	\$17.7	\$18.9	\$20.0	\$25.4	\$60.0	\$61.1	\$59.7	\$58.7
Restricted	9.9	12.5	11.8	16	19	18	15.1	13.2
Unrestricted	(3.2)	(4.4)	(4.6)	(11)	(7)	(5)	3.7	5.4
Total primary government net assets	\$24.4	\$27.0	\$27.2	\$30.5	\$72.0	\$74.1	\$78.5	\$77.3

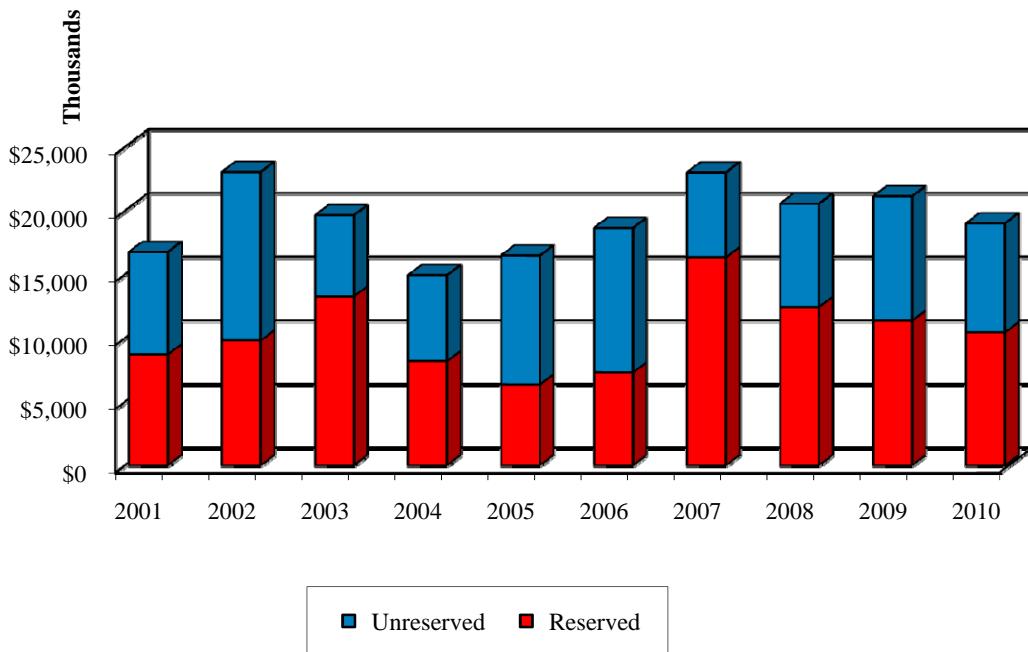
CITY OF MILLBRAE
Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)
(Dollars in millions)

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
General Government	\$1.4	\$1.3	\$1.4	\$1.8	\$1.9	\$2.1	\$2.1	\$2.2
Public Safety	8.9	9.0	8.8	8.8	6.4	10.0	11.7	12.5
Highway and Streets	4.1	1.8	1.6	1.5	5.6	4.3	4.1	3.6
Culture and Recreation	2.9	2.6	3.1	2.1	1.5	1.5	1.5	1.4
Community Development	1.5	1.3	2.0	3.0	5.3	5.1	6.9	8.6
Interest on Long-Term Debt	1.3	1.6	1.5	2.9	2.0	2.5	2.1	2.1
Total Governmental Activities Expenses	20.1	17.6	18.4	20.1	22.7	25.5	28.4	30.4
Business-Type Activities:								
Municipal Water System	3.0	3.6	3.5	3.5	3.8	4.2	4.4	4.9
Municipal Wastewater Treatment Facility	3.5	3.7	3.9	4.4	5.2	5.1	5.6	6.1
Storm Drain	0.3	0.3	0.3	0.4	0.4	0.5	0.4	0.5
Total Business-Type Activities Expenses	6.8	7.6	7.7	8.3	9.4	9.8	10.4	11.5
Total Primary Government Expenses	26.9	25.2	26.1	28.4	32.1	35.3	38.8	41.9
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	0.3	0.1	0.1	0.3	0.3	0.7	0.7	1.1
Public Safety	0.6	0.7	0.5	0.7	1.1	1.2	1.8	1.9
Highway and Streets	0.0	0.2	0.2	0.3	0.8	0.4	1.9	0.4
Culture and Recreation	0.5	0.8	0.7	0.9	0.8	0.7	0.9	0.9
Community Development	0.6	1.8	0.5	0.6	2.0	1.1	3.3	2.0
Operating Grants and Contributions	1.6	1.3	1.3	2.8	1.8	1.2	1.7	1.1
Capital Grants and Contributions	1.6							
Total Government Activities Program Revenues	5.2	4.9	3.3	5.6	6.8	5.3	10.3	7.4
Business-Type Activities:								
Charges for Services:								
Municipal Water System	3.2	4.0	3.6	3.9	4.4	4.9	5.7	5.4
Municipal Wastewater Treatment Facility	3.7	3.8	3.8	4.5	5.0	5.8	6.5	7.6
Storm Drain	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Operating Grants and Contributions								
Capital Grants and Contributions		0.2						
Total Business-Type Activities Program Revenue	7.1	8.2	7.6	8.6	9.6	10.9	12.4	13.2
Total Primary Government Program Revenues	12.3	13.1	10.9	14.2	16.4	16.2	22.7	20.6
Net (Expense)/Revenue								
Governmental Activities	(14.9)	(12.7)	(15.1)	(14.5)	(15.9)	(20.2)	(18.1)	(23.0)
Business-Type Activities	0.3	0.6	(0.1)	0.3	0.2	1.1	2.0	1.7
Total Primary Government Net Expense	(\$14.6)	(\$12.1)	(\$15.2)	(\$14.2)	(\$15.7)	(\$19.1)	(\$16.1)	(\$21.3)

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

	2003	2004	2005	2006	2007	2008	2009	2010
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes:								
Property Taxes	\$5.4	\$5.6	\$8.5	\$9.6	\$10.9	\$11.9	\$13.1	\$13.4
Sales Taxes	2.0	2.0	1.9	2.2	2.4	2.2	2.4	2.0
Motor Vehicle In-Lieu	1.2	1.0	0.5	0.1	0.1	0.1	0.1	0.1
Transient Occupancy Tax	2.2	2.2	2.3	2.6	2.9	3.3	2.8	2.9
Other Taxes	1.1	1.0	1.2	1.7	1.4	1.5	1.4	1.6
Interest Earnings	1.0	0.3	0.7	0.5	1.2	1.0	(0.2)	0.3
Other	0.4	2.5	0.2	0.2	0.4	0.7	0.3	0.3
Transfers	0.1			(0.1)		(0.3)	(0.5)	0.4
Total Government Activities	13.4	14.6	15.2	16.8	19.3	20.4	19.4	21.0
Business-Type Activities:								
Interest Earnings	0.3	0.1	0.2	0.2	0.2	0.2		0.1
Miscellaneous				0.3	0.3	0.1	0.8	(0.3)
Transfers and Other	(0.1)			0.1	0.3	0.4	0.5	(0.4)
Total Business-Type Activities	0.2	0.1	0.2	0.6	0.8	0.7	1.3	(0.6)
Total Primary Government	13.6	14.7	15.4	17.4	20.1	21.1	20.7	20.4
Change in Net Assets								
Governmental Activities	(1.5)	1.9	0.1	2.3	3.4	0.2	1.3	(2.0)
Business-Type Activities	0.5	0.7	0.1	0.9	1.0	1.8	3.3	1.1
Total Primary Government	(\$1.0)	\$2.6	\$0.2	\$3.2	\$4.4	\$2.0	\$4.6	(\$0.9)

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



	2001	2002	2003	2004	2005	2006
General Fund						
Reserved	\$1,334,159	\$1,162,649	\$1,096,756	\$1,086,073	\$1,435,087	\$1,305,552
Unreserved	2,058,866	612,204	203,942	(665,816)	117,878	1,399,190
Total General Fund	<u><u>\$3,393,025</u></u>	<u><u>\$1,774,853</u></u>	<u><u>\$1,300,698</u></u>	<u><u>\$420,257</u></u>	<u><u>\$1,552,965</u></u>	<u><u>\$2,704,742</u></u>
All Other Governmental Funds						
Reserved	\$7,378,615	\$8,643,242	\$12,167,422	\$7,094,675	\$4,920,951	\$5,994,916
Unreserved, reported in:						
Special revenue funds	1,886,324	882,049	6,496,194	6,827,715	4,145,428	8,575,778
Capital project funds	4,095,787	11,735,854	(334,836)	579,509	5,846,761	1,359,947
Total all other governmental funds	<u><u>\$13,360,726</u></u>	<u><u>\$21,261,145</u></u>	<u><u>\$18,328,780</u></u>	<u><u>\$14,501,899</u></u>	<u><u>\$14,913,140</u></u>	<u><u>\$15,930,641</u></u>

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

2007	2008	2009	2010
\$1,714,021	\$1,216,313	\$1,181,922	\$1,186,935
2,982,238	1,684,476	1,567,044	1,675,398
<u>\$4,696,259</u>	<u>\$2,900,789</u>	<u>\$2,748,966</u>	<u>\$2,862,333</u> (a)
 \$14,623,608	 \$11,216,290	 \$10,174,496	 \$9,253,798
4,042,908	5,411,096	6,267,513	4,914,750
(362,503)	1,010,397	1,922,889	1,971,780
<u>\$18,304,013</u>	<u>\$17,637,783</u>	<u>\$18,364,898</u>	<u>\$16,140,328</u>

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

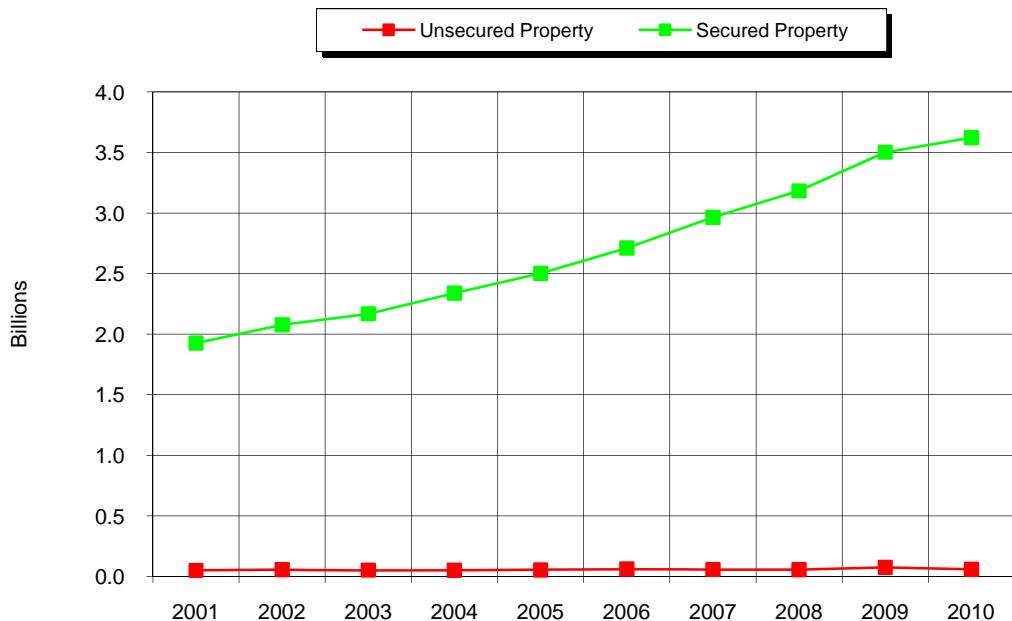
	Fiscal Year Ended June 30,				
	2001	2002	2003	2004	2005
Revenues					
Taxes	\$12,090,514	\$11,029,412	\$10,990,862	\$11,338,355	\$14,291,554
Licenses, permits and fees	207,245	208,158	334,554	565,594	349,179
Charges for services	1,343,763	1,512,160	466,764	2,674,024	1,379,653
Fines and forfeitures	220,302	203,112	222,945	291,095	203,223
Use of money and property	1,419,444	1,327,625	1,200,849	426,685	807,830
Grants and intergovernmental	8,468,454	6,889,858	4,774,880	1,940,142	2,004,196
Miscellaneous	494,042	381,763	1,442,871	1,958,367	369,532
Total Revenues	<u>24,243,764</u>	<u>21,552,088</u>	<u>19,433,725</u>	<u>19,194,262</u>	<u>19,405,167</u>
Expenditures					
Current:					
General government	\$1,937,360	\$1,886,046	\$1,331,146	\$1,216,074	\$1,162,097
Public safety	7,789,589	8,147,357	8,410,205	8,333,506	8,346,122
Highways and streets	2,292,948	2,281,965	1,853,430	1,575,042	1,336,560
Culture and recreation	2,266,262	2,445,562	1,941,713	1,497,215	1,695,953
Community development	3,417,641	2,159,940	2,177,272	2,205,659	3,027,175
Capital outlay	9,727,417	8,398,219	4,635,161	7,767,178	3,909,191
Debt service:					
Principal repayment	345,000	335,000	370,000	420,000	5,330,000
Interest and fiscal charges	<u>742,905</u>	<u>1,011,752</u>	<u>1,211,210</u>	<u>1,510,795</u>	<u>1,205,110</u>
Total Expenditures	<u>28,519,122</u>	<u>26,665,841</u>	<u>21,930,137</u>	<u>24,525,469</u>	<u>26,012,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,275,358)</u>	<u>(5,113,753)</u>	<u>(2,496,412)</u>	<u>(5,331,207)</u>	<u>(6,607,041)</u>
Other Financing Sources (Uses)					
Transfers in	1,497,150	1,768,029	4,477,250	904,673	1,515,967
Transfers (out)	(1,185,276)	(1,303,029)	(3,697,258)	(1,207,173)	(1,954,977)
Proceeds from long-term debt	2,161,121	331,000		11,521,630	
Payment to retirement plan				(11,200,000)	
Tax allocation bonds issued					8,590,000
Library bonds		10,600,000			
Sale of capital assets				604,755	
Total other financing sources (uses)	<u>2,472,995</u>	<u>11,396,000</u>	<u>779,992</u>	<u>623,885</u>	<u>8,150,990</u>
Net change in fund balances	<u><u>(\$1,802,363)</u></u>	<u><u>\$6,282,247</u></u>	<u><u>(\$1,716,420)</u></u>	<u><u>(\$4,707,322)</u></u>	<u><u>\$1,543,949</u></u>
Debt service as a percentage of noncapital expenditures	4.0%	5.3%	7.8%	8.5%	33.6%

Fiscal Year Ended June 30,

2006	2007	2008	2009	2010
\$16,191,092	\$17,815,200	\$19,167,621	\$20,081,107	\$19,922,116
474,612	1,044,495	530,799	629,695	787,170
1,840,334	2,957,931	2,275,012	6,219,277	2,169,540
358,782	700,717	592,195	854,587	1,097,610
763,161	1,562,303	1,443,506	302,045	805,476
1,129,260	1,271,907	1,295,216	1,802,482	2,300,750
229,921	406,738	792,893	239,237	672,299
<u>20,987,162</u>	<u>25,759,291</u>	<u>26,097,242</u>	<u>30,128,430</u>	<u>27,754,961</u>
\$1,475,679	\$1,731,518	\$1,846,271	\$1,801,585	\$1,690,298
8,414,172	8,758,410	9,851,524	10,668,650	11,159,828
1,430,631	1,803,807	2,175,594	1,995,038	2,070,733
2,057,200	1,306,120	1,456,488	1,442,001	1,296,878
3,391,005	4,373,645	5,071,248	5,207,855	9,669,345
663,204	2,157,024	1,666,662	5,647,530	906,073
807,350	379,928	1,150,376	1,124,366	1,176,898
<u>1,231,034</u>	<u>1,238,788</u>	<u>1,227,636</u>	<u>1,194,519</u>	<u>1,176,578</u>
<u>19,470,275</u>	<u>21,749,240</u>	<u>24,445,799</u>	<u>29,081,544</u>	<u>29,146,631</u>
1,516,887	4,010,051	1,651,443	1,046,886	(1,391,670)
2,696,763	2,081,633	3,461,056	7,930,991	4,892,099
(2,232,446)	(2,215,841)	(4,011,125)	(8,403,585)	(5,229,632)
188,074	489,046	25,000		
		1,000		
652,391	354,838	(525,069)	(471,594)	(337,533)
<u>\$2,169,278</u>	<u>\$4,364,889</u>	<u>\$1,126,374</u>	<u>\$575,292</u>	<u>(\$1,729,203)</u>
11.7%	9.2%	11.6%	9.2%	9.1%

**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)
2001	1,608,664,847	200,627,615	18,990,823	47,605,315	1,875,888,600	50,169,539	1,926,058,139	1,926,058,139	0.20390%
2002	1,737,618,409	206,401,619	20,210,975	55,944,473	2,020,175,476	56,459,257	2,076,634,733	2,076,634,733	0.20955%
2003	1,830,815,260	205,408,812	22,671,727	56,629,528	2,115,525,327	52,441,765	2,167,967,092	2,167,967,092	0.23229%
2004	1,991,744,482	213,193,265	23,896,936	58,133,646	2,286,968,329	51,586,538	2,338,554,867	2,338,554,867	0.23845%
2005	2,138,575,514	223,398,776	26,822,125	59,341,683	2,448,138,098	53,266,268	2,501,404,366	2,501,404,366	0.23911%
2006	2,327,641,820	233,450,555	27,468,703	60,471,807	2,649,032,885	61,636,786	2,710,669,671	2,710,669,671	0.24221%
2007	2,530,096,235	261,604,654	36,210,882	78,491,214	2,906,402,985	57,531,174	2,963,934,159	2,963,934,159	0.25105%
2008	2,731,897,346	263,281,277	36,695,559	94,020,849	3,125,895,031	56,607,324	3,182,502,355	3,182,502,355	0.25621%
2009	2,965,203,996	302,246,936	39,991,380	119,619,183	3,427,061,495	74,732,202	3,501,793,697	3,501,793,697	0.27802%
2010	3,049,812,572	326,160,241	37,896,181	148,074,717	3,561,943,711	59,707,619	3,621,651,330	3,621,621,330	0.27802%

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

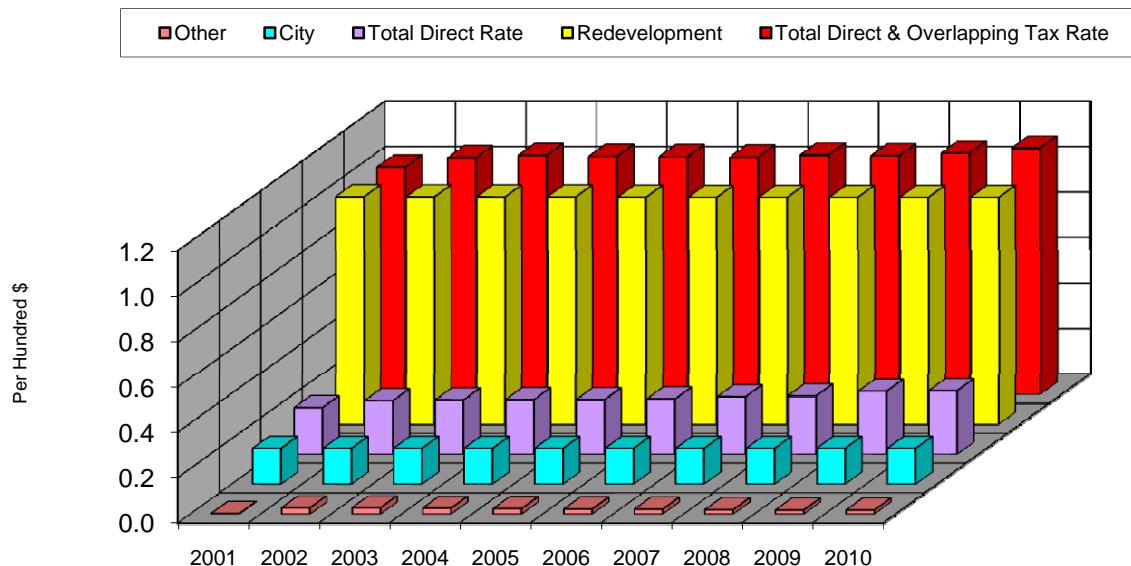
(b) California cities do not set their own direct tax rate. The California State Constitution establishes the rate at one percent (1%) and allocates a portion of that amount, by an annual calculation to all taxing entities within a tax rate area. The City of Millbrae encompasses more than fifteen (15)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

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

**CITY OF MILLBRAE
STATISTICS**

PROPERTY TAX RATES ALL OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS



Fiscal Year	Basic Levy (a)	Schools	County	Total Direct & Overlapping Tax Rate (b)	City (c)	Other	Redevelopment (d)	Total Direct Rate (e)
2001	1.0000		0.0026	1.0026	0.1579	0.0026	1.0026	0.2054
2002	1.0000	0.0153	0.0283	1.0436	0.1579	0.0283	1.0024	0.2362
2003	1.0000	0.0244	0.0287	1.0531	0.1579	0.0287	1.0021	0.2392
2004	1.0000	0.0226	0.0264	1.0490	0.1579	0.0264	1.0015	0.2409
2005	1.0000	0.0239	0.0244	1.0483	0.1579	0.0244	1.0007	0.2404
2006	1.0000	0.0239	0.0224	1.0463	0.1579	0.0224	1.0000	0.2434
2007	1.0000	0.0340	0.0215	1.0555	0.1579	0.0215	1.0000	0.2536
2008	1.0000	0.0321	0.0196	1.0517	0.1579	0.0196	1.0000	0.2574
2009	1.0000	0.0463	0.0181	1.0644	0.1579	0.0181	1.0000	0.2781
2010	1.0000	0.0686	0.0174	1.0860	0.1579	0.0174	1.0000	0.2805

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

Sources: Hdl Coren & Cone

San Mateo County Assessor Annual Tax Increment Tables

**CITY OF MILLBRAE
STATISTICS**

TOP TEN PROPERTY TAXPAYERS

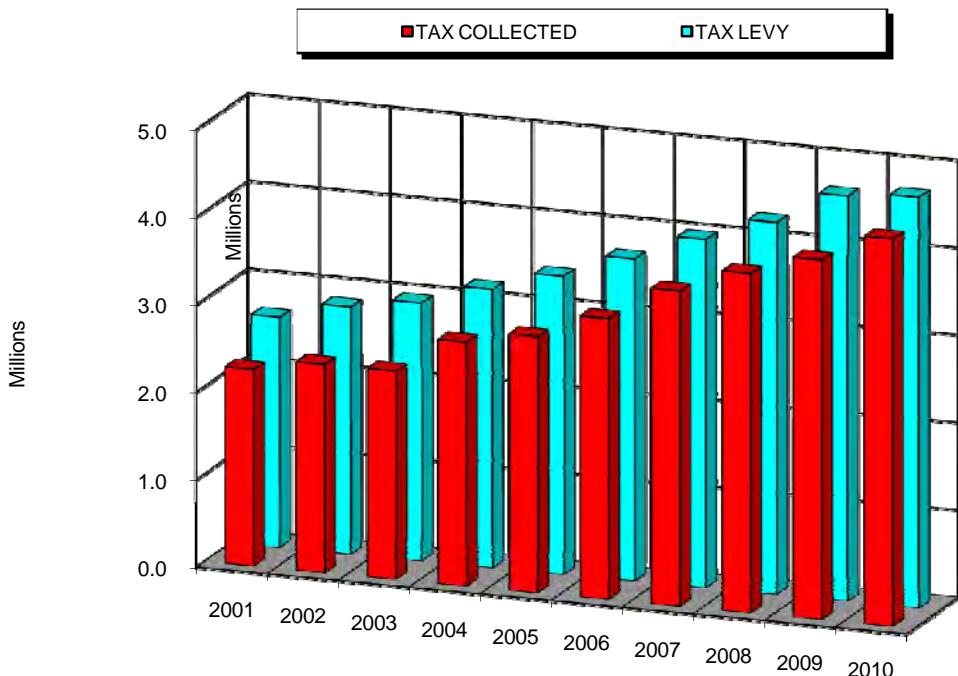
Top Property Owners Based on Net Values

Owner / Taxpayer	Fiscal Year 2000-2001		Fiscal Year 2009-2010	
	Taxable Assessed Value	Total Percent City Taxable Assessed Value	Taxable Assessed Value	Total Percent City Taxable Assessed Value
Westin Bay Hotel Company	40,565,202	2.11%	71,116,012	1.96%
Yunmin Li			56,548,633	1.56%
SLT Realty LLP	32,896,790	1.71%		
Magnolia of Millbrae, Inc.	25,238,428	1.31%	27,816,056	0.77%
OR Property Holdings			26,576,099	0.73%
Millbrae Paradise LLC			25,488,798	0.70%
Marymount Greenhills LLC			21,367,103	0.59%
Green Hills Country Club			16,474,857	0.45%
Braddock and Logan Group LP			16,057,572	0.44%
Simeon SPFVEF LLC			15,019,664	0.41%
Allan A. and Beverly M. Sebanc	12,598,788	0.65%		
Hertz Realty Corp	11,773,347	0.61%		
G Williams Company	10,581,589	0.55%		
Townsquare Associates	9,101,322	0.47%		
Friend Friend and Friend	8,809,207	0.46%	14,567,494	0.40%
Millbrae Square Company	8,211,365	0.43%		
John and Susan C. Wilms Trust	7,920,427	0.41%		
TOP TEN TOTAL	167,696,465	8.71%	291,032,288	8.04%
Total Net Assessed Valuation:	1,926,278,139		3,621,621,330	

Sources: Hdl Coren & Cone
San Mateo County Assessor 2008-2009 Combined Tax Rolls

**CITY OF MILLBRAE
STATISTICS**

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



Fiscal Year	TOTAL TAX LEVY	Current Tax Collections	San Mateo County Collection Fee (a)	Percent of Levy Collected	Delinquent Tax Collection	TOTAL TAX COLLECTED	Percent of Tax Collected to Tax Levy
2001	2,634,125	2,167,317		82.2784%	80,350	2,247,667	85.3288%
2002	2,829,892	2,336,584		82.5680%	46,414	2,382,998	84.2081%
2003	2,950,755	2,383,880		80.7888%	(3,194)	2,380,686	80.6806%
2004	3,182,827	2,623,965		82.4413%	165,925	2,789,890	87.6545%
2005	3,408,015	2,812,240		82.5184%	114,656	2,926,896	85.8827%
2006	3,682,039	2,952,070		80.1749%	258,862	3,210,932	87.2053%
2007	3,980,054	3,242,096		81.4586%	360,552	3,602,648	90.5176%
2008	4,251,621	3,461,893	41,329	82.3973%	375,457	3,878,679	91.2282%
2009	4,630,356	3,665,930	38,038	79.9932%	405,027	4,108,995	88.7404%
2010	4,692,363	3,826,720	49,131	82.5991%	549,352	4,425,203	94.3065%

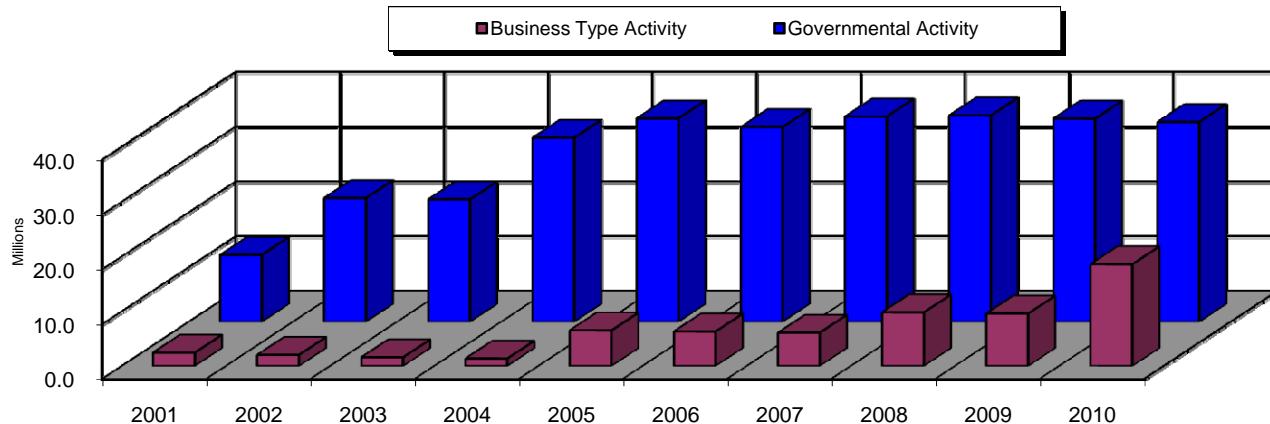
Note: During fiscal year 1995, the County began providing the City 100% of its Secured tax levy under an agreement which allows the County to keep all interest and delinquency charges collected.

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

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

**CITY OF MILLBRAE
STATISTICS**

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



Governmental Activity

Fiscal Year	General Obligation Bonds	Pension Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Special Assessment Debt	Loans	TOTAL
2001	120,000		5,300,000	4,055,000	570,000	2,177,623	12,222,623
2002	10,690,000		5,225,000	3,955,000	440,000	2,294,997	22,604,997
2003	10,660,000		5,130,000	3,850,000	300,000	2,419,056	22,359,056
2004	10,610,000	11,521,630	5,015,000	3,745,000	150,000	2,549,443	33,591,073
2005	10,555,000	11,657,290	8,590,000	3,635,000		2,686,858	37,124,148
2006	10,520,000	11,802,393	8,540,000	3,520,000		1,180,724	35,563,117
2007	10,475,000	13,688,604	8,465,000	3,400,000		1,435,336	37,463,940
2008	10,415,000	14,521,489	8,370,000	3,270,000		1,076,722	37,653,211
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

Business Type Activity

Fiscal Year	Water Lease Purchase	Sanitation Loan and Bond (a)	TOTAL	Total Primary Government	Personal Income Percentage (b)	Per Capita (b)
2001	425,502	2,018,500	2,444,002	14,666,625	0.04%	699
2002	218,021	1,811,300	2,029,321	24,634,318	0.07%	1,184
2003		1,592,600	1,592,600	23,951,656	0.07%	1,156
2004		1,361,700	1,361,700	34,952,773	0.10%	1,708
2005		6,486,209	6,486,209	43,610,357	0.12%	2,106
2006		6,286,001	6,286,001	41,849,118	0.11%	2,018
2007		6,076,171	6,076,171	43,540,111	0.10%	2,077
2008		9,793,026	9,793,026	47,446,237	0.11%	2,218
2009		9,564,218	9,564,218	46,657,580	0.10%	2,166
2010		18,570,786	18,570,786	55,057,315	0.13%	2,506

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

(a) 2009 Certification of Participation Bonds (Series A & B) were issued for the Wastewater Treatment Plant Renovation Project and the 2005 Bank Loan and 2008 Subordinate Wastewater Revenue Note in the total amount of \$9,564,218 was paid in full.

(b) 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)

**CITY OF MILLBRAE
STATISTICS**

RATIO OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	Storm Water / Library Bonds	Percentage of Total City Taxable Assessed Value	Per Capita
2001	120,000	0.01%	5.72
2002	10,690,000	0.51%	513.60
2003	10,660,000	0.49%	514.63
2004	10,610,000	0.45%	518.45
2005	10,555,000	0.42%	509.71
2006	10,520,000	0.39%	507.35
2007	10,475,000	0.35%	499.64
2008	10,415,000	0.33%	486.98
2009	10,345,000	0.30%	480.36
2010	10,260,000	0.28%	467.04

Sources: State of California, Department of Finance
Hdl Coren & Cone
San Mateo County Assessor Combined Tax Rolls from 1998-2009

**CITY OF MILLBRAE
STATISTICS**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2010

2009 / 2010 Assessed Valuation: 3,621,651,330

Redevelopment Incremental Valuation: 553,122,722

ADJUSTED ASSESSED VALUATION: **\$3,068,528,608**

Total Debt Outstanding	Percentage Applicable (a)	Amount Applicable
------------------------	---------------------------	-------------------

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT

San Mateo Community College District	624,979,994	2.369%	14,805,776
San Mateo Union High School District	307,495,456	6.774%	20,829,742
Millbrae School District Maintenance Assessment District	12,000,000	56.906%	6,828,720
City of Millbrae	10,260,000	100.00%	10,260,000
California Statewide Communities Development Authority			
Park Broadway Assessment District	1,637,212	100.00%	<u>1,637,212</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			<u>\$54,361,450</u>

DIRECT AND OVERLAPPING GENERAL FUND DEBT

San Mateo County General Fund Obligations	349,089,816	2.369%	8,269,938
San Mateo County Board of Education Certificates of Participation	12,885,000	2.369%	305,246
San Mateo Union High School District Certificates of Participation	65,946,236	6.774%	4,467,198
City of Millbrae Certificates of Participation	2,995,000	100.00%	2,995,000
City of Millbrae Pension Obligations	9,690,127	100.00%	9,690,127
San Mateo County Mosquito Abatement District Certificates of Participation	275,000	3.234%	<u>8,894</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			<u>\$25,736,402</u>

COMBINED TOTAL DEBT **\$80,097,852** (b)

RATIOS TO 2009 - 2010 ASSESSED VALUATION

Direct Debt (\$10,260,000)	0.28%
Total Direct and Overlapping Tax Assessment Debt	1.50%

RATIOS TO ADJUSTED ASSESSED VALUATION

Combined Direct Debt (\$22,945,127)	0.75%
Combined Total Debt	2.61%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10 **\$0**

(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**

COMPUTATION OF LEGAL BONDED DEBT MARGIN

June 30, 2010

ASSESSED VALUATION:

Secured Property Assessed Value	\$3,561,943,711
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BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)	\$133,572,889
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AMOUNT OF DEBT SUBJECT TO LIMIT:

Total Bonded Debt	24,991,266
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Less Pension Obligation Bonds	<u>(14,731,266)</u>
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Amount of debt subject to the limit	10,260,000
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LEGAL BONDED DEBT MARGIN	\$123,312,889
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LAST TEN FISCAL YEARS

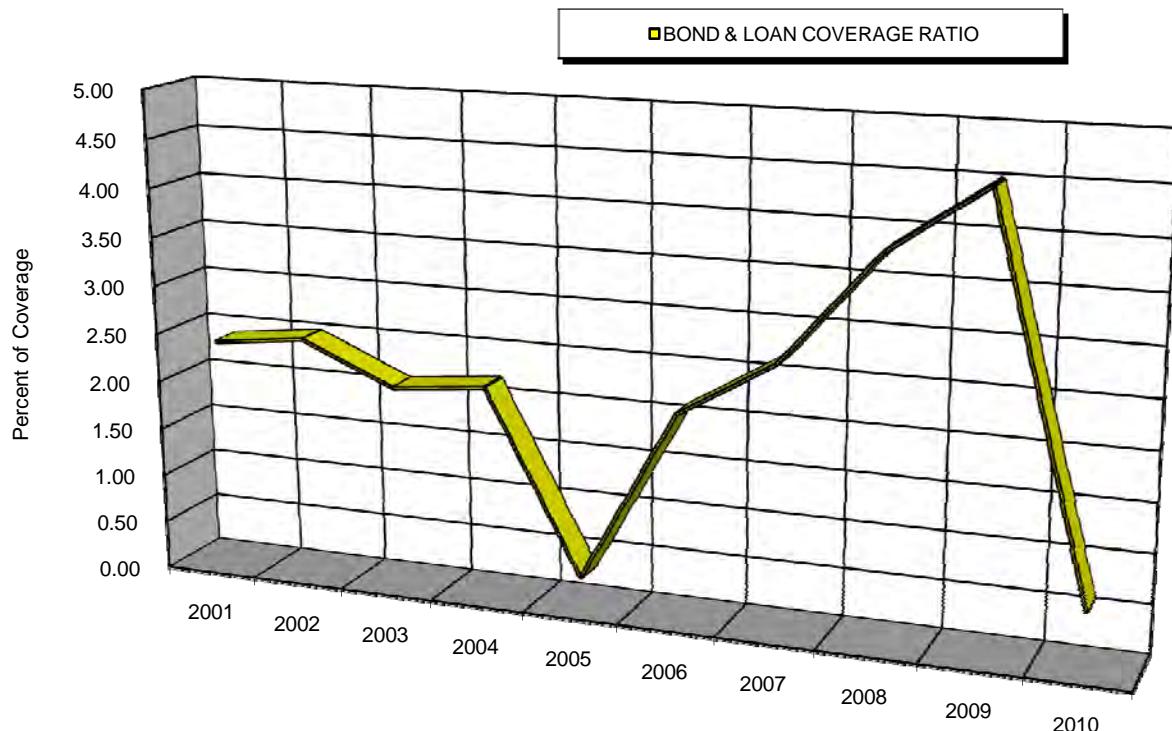
Fiscal Year	Debt Limit	Total Debt Subject to Limit	Legal Debt Margin	Percentage of Total Debt to Debt Margin
2001	72,494,311	105,316	72,388,995	0.15%
2002	78,109,553	10,365,019	67,744,534	15.30%
2003	83,073,302	10,275,951	72,797,351	14.12%
2004	88,115,231	21,715,716	66,399,515	32.70%
2005	94,117,856	10,097,935	84,019,921	12.02%
2006	100,459,141	10,520,000	89,939,141	11.70%
2007	111,147,531	10,475,000	100,672,531	10.41%
2008	119,343,838	10,415,000	108,928,838	9.56%
2009	131,317,264	10,345,000	120,972,264	8.55%
2010	133,572,889	10,260,000	123,312,889	8.32%

(a) California Government Code, Section 43605 sets the Debt Limit at 15%.

Section 43605 was enacted prior to the change of basing assessed value at full market rate, which was previously 25% of the market rate. Therefore, the limit is shown as 3.75% to account for the full market rate of assessed valuation.

**CITY OF MILLBRAE
STATISTICS**

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



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

Note: 2005 Bank Loan and 2008 Subordinate Wastewater Revenue Bonds in the total amount of \$9,564,218 were paid off with the issuance of the 2009 Certification of Participation Bonds for the Wastewater Treatment Plant Renovation Project

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

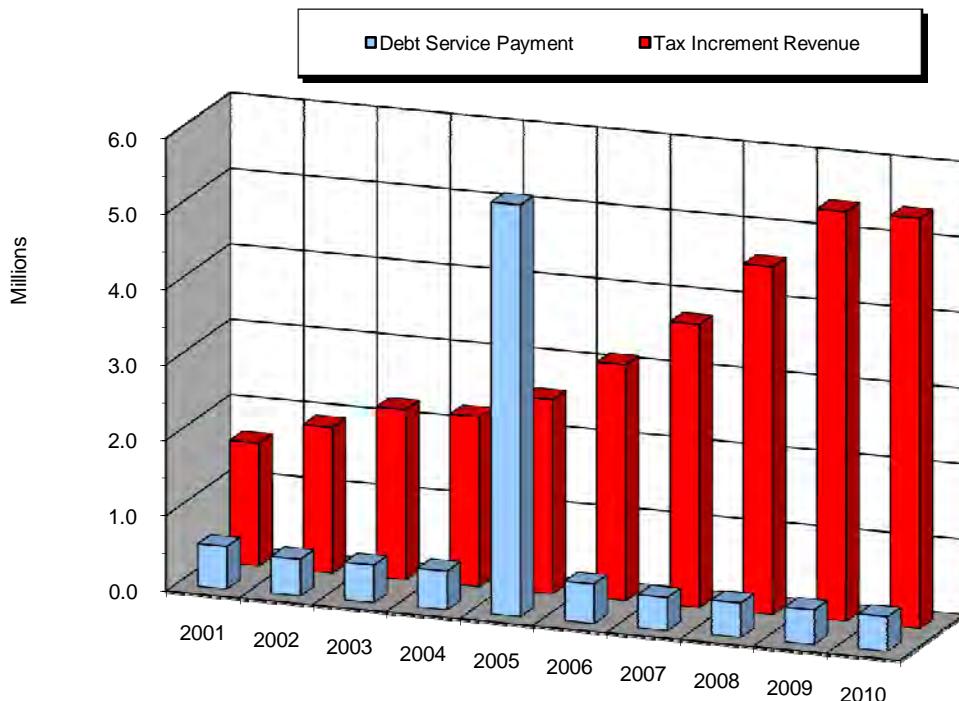
(b) Includes Wastewater Operating Expenditures exclusive of depreciation

Source: City of Millbrae Financial Records

**CITY OF MILLBRAE
STATISTICS**

**MILLBRAE REDEVELOPMENT AGENCY
BONDED DEBT PLEDGED REVENUE COVERAGE
TAX ALLOCATION BONDS**

LAST TEN FISCAL YEARS



Fiscal Year	GROSS TAX INCREMENT REVENUE	Debt Service Requirements			Bond Coverage Ratio
		Principal	Interest	TOTAL	
2001	1,630,151	145,000	416,611	561,611	2.90
2002	1,931,479	75,000	411,736	486,736	3.97
2003	2,256,852	95,000	404,547	499,547	4.52
2004	2,251,228	115,000	399,030	514,030	4.38
2005	2,573,324	5,015,000	439,472	5,454,472	0.47
2006	3,123,608	50,000	474,287	524,287	5.96
2007	3,751,214	75,000	364,875	439,875	8.53
2008	4,607,427	95,000	362,325	457,325	10.07
2009	5,426,628	100,000	359,400	459,400	11.81
2010	5,430,198	105,000	356,325	461,325	11.77

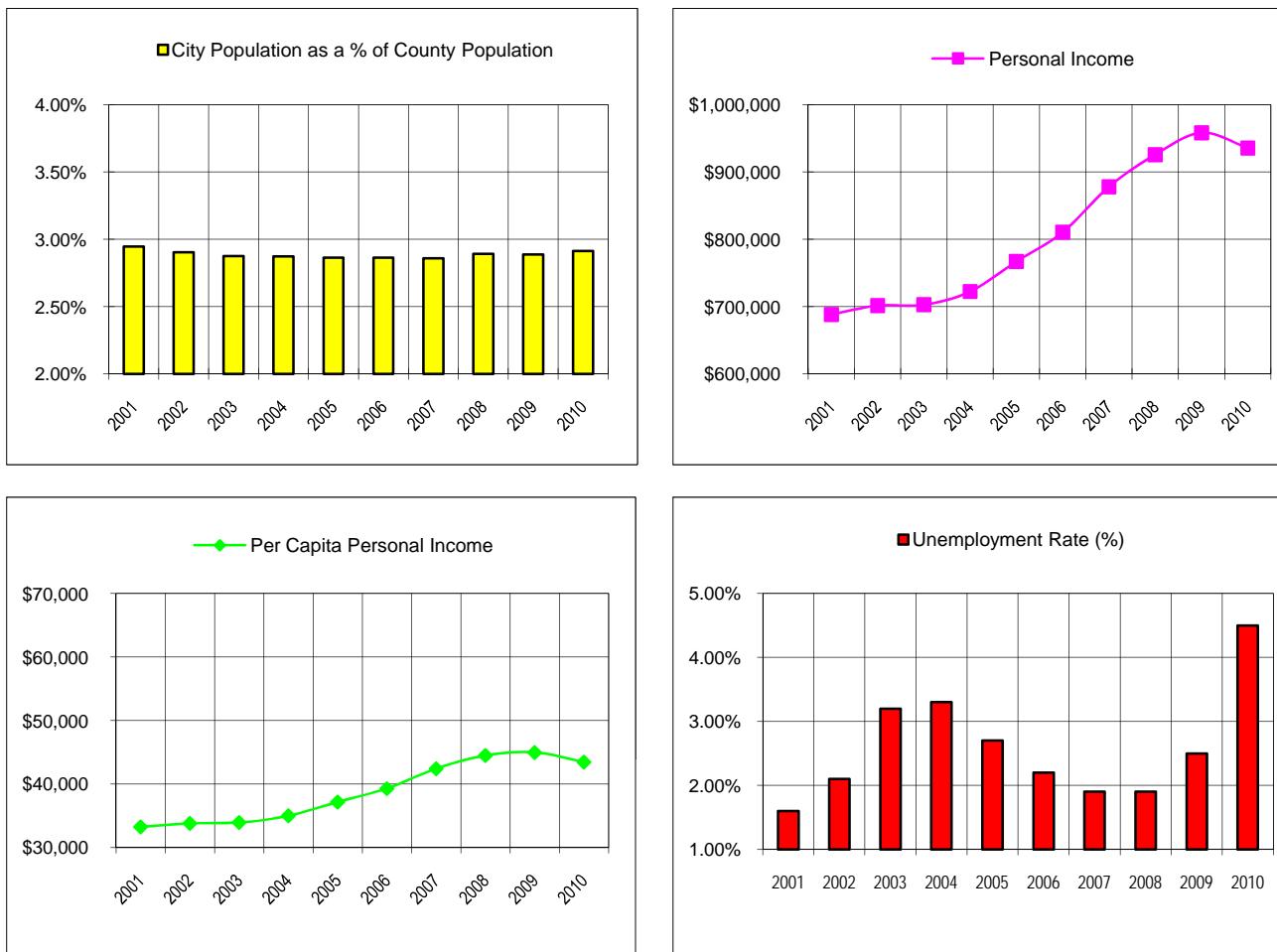
Note: 2005 Millbrae Redevelopment Agency issued TAB for \$8,590,000 and paid off the 1993 TAB outstanding debt

Source: City of Millbrae Financial Records

CITY OF MILLBRAE STATISTICS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS



Fiscal Year	City Population	San Mateo County Population	City Population % of County Population	Personal Income	Per Capita Personal Income	Unemployment Rate (%)
2001	20,979	712,400	2.94%	\$688,328	\$33,224	1.6%
2002	20,814	717,000	2.90%	\$701,561	\$33,768	2.1%
2003	20,714	720,630	2.87%	\$702,751	\$33,925	3.2%
2004	20,465	712,400	2.87%	\$722,449	\$34,974	3.3%
2005	20,708	723,453	2.86%	\$767,057	\$37,158	2.7%
2006	20,735	724,104	2.86%	\$810,273	\$39,265	2.2%
2007	20,965	733,496	2.86%	\$877,713	\$42,395	1.9%
2008	21,387	739,469	2.89%	\$925,544	\$44,476	1.9%
2009	21,536	745,858	2.89%	\$958,075	\$44,957	2.5%
2010	21,968	754,285	2.91%	\$935,529	\$43,450	4.5%

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

**CITY OF MILLBRAE
STATISTICS**

PRINCIPAL EMPLOYERS

(Information prior to 2006 is not available)

Principal Employer	2006			2007			2008			2009			2010		
	Number of Employees	Rank	Percent of Total City Population	Number of Employees	Rank	Percent of Total City Population	Number of Employees	Rank	Percent of Total City Population	Number of Employees	Rank	Percent of Total City Population	Number of Employees	Rank	Percent of Total City Population
Starwood Hotels & Resorts	200	3	1.0%	200	3	1.0%	200	3	0.9%	200	3	0.9%	440	1	2.0%
City/County of San Francisco	300	1	1.4%	300	1	1.4%	300	1	1.4%	300	1	1.4%	300	2	1.4%
Millbrae School District	225	2	1.1%	225	2	1.1%	225	2	1.1%	225	2	1.0%	173	3	0.8%
Best Western-El Rancho	168	4	0.8%	168	4	0.8%	168	4	0.8%	168	4	0.8%	150	4	0.7%
City of Millbrae	133	5	0.6%	135	5	0.6%	135	5	0.6%	144	5	0.7%	141	5	0.6%
A & C Health Care Services							135	6	0.6%	135	6	0.6%	135	6	0.6%
Millbrae Serra Sanitarium	125	8	0.6%	125	8	0.6%	125	9	0.6%	125	8	0.6%	135	6	0.6%
San Mateo Union High School	130	6	0.6%	130	6	0.6%	130	7	0.6%	130	7	0.6%	125	7	0.6%
Green Hills Country Club													115	8	0.5%
Magnolia of Millbrae	130	7	0.6%	130	7	0.6%	130	8	0.6%	130	7	0.6%	101	9	0.5%
Orchard Supply Hardware													100	9	0.5%
Safeway													100	10	0.5%
World Journal Inc													98	10	0.5%
Sprint Communications Co LLP				100	10	0.5%							100	9	0.5%
Mervyn's LLC	112	9	0.5%	112	9	0.5%	112	10	0.5%						
Albertson's LLC	100	10	0.5%												
TOTAL	1,423		6.9%	1,425		6.8%	1,460		6.8%	1,755		8.1%	1,675		7.6%
TOTAL CITY POPULATION	20,735			20,965			21,387			21,536			21,968		

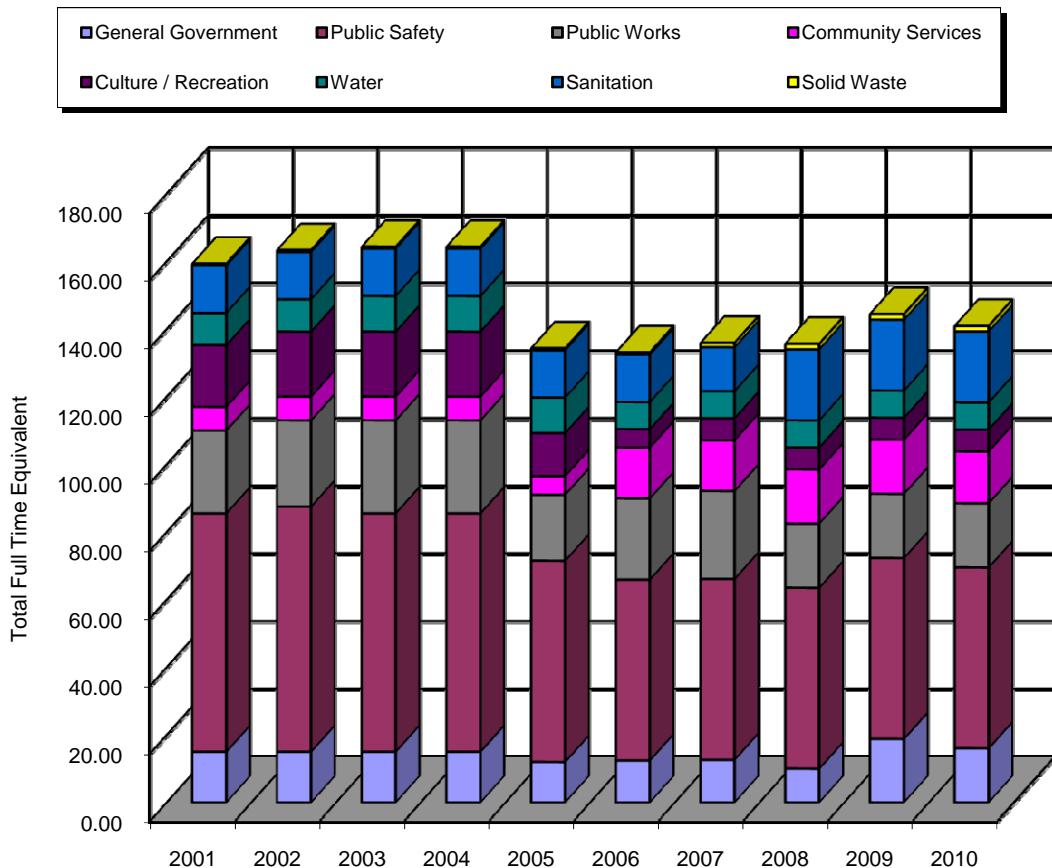
Sources: Selectory / a D & B Product

Hdi Coren & Cone

**CITY OF MILLBRAE
STATISTICS**

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION / PROGRAM

LAST TEN FISCAL YEARS



Function / Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	15.00	15.00	15.00	15.00	12.00	12.42	12.62	10.00	18.78	16.00
Public Safety	70.50	72.50	70.50	70.50	59.50	53.50	53.50	53.50	53.50	53.50
Public Works	24.50	25.50	27.50	27.50	19.50	24.00	26.00	19.00	19.00	19.00
Community Services	7.00	7.00	7.00	7.00	5.50	15.00	15.00	16.00	16.00	15.28
Culture / Recreation	18.25	19.25	19.25	19.25	12.75	5.50	6.50	6.50	6.50	6.50
Water	9.50	9.50	10.50	10.50	10.50	8.00	8.00	8.00	8.00	8.00
Sanitation	14.00	14.00	14.00	14.00	14.00	14.00	13.00	21.00	21.00	21.00
Solid Waste	0.50	0.50	0.50	0.50	0.50	0.60	1.25	1.60	1.60	1.60
TOTAL	159.25	163.25	164.25	164.25	134.25	133.02	135.87	135.60	144.38	140.88

Source: City of Millbrae Budget Salary Schedule and Position Allocation

**CITY OF MILLBRAE
STATISTICS**

OPERATING INDICATORS BY FUNCTION / PROGRAM

(Information prior to 2006 is not available)

Function / Program	2006	2007	2008	2009	2010
Public Safety					
Fire					
Emergency Responses	2,505	2,620	2,620	2,567	2,554
Primary Fire Inspections Conducted	214	284	261	327	410
Police					
Communication Center Calls Answered	6,001	13,732	26,684	40,229	40,788
Police Calls for Service	13,074	19,159	20,175	19,554	20,944
Part I and Part II Crimes	1,524	1,219	1,271	1,353	1,369
Physical Arrests (adult and juvenile)	691	627	699	732	789
Traffic Violations	1,744	2,376	1,248	1,817	2,121
Parking Violations	5,252	4,391	7,842	8,603	11,154
Public Works					
Street Resurfacing (miles)	Data Not Available	2	0	0	1
Potholes Repaired (square miles)	Data Not Available	0.00005739	0.00000000	0.00000000	0.00071741
Culture and Recreation					
Community Services					
Recreation Class Participants	7,000	8,500	7,121	7,018	6,211
Performing Arts Performances	7	10	8	14	7
Library					
Volumes in Collection	71,000	100,000	110,876	111,447	109,241
Total Volumes Borrowed	446,700	503,000	577,350	616,145	633,241
Water					
Water Service Connections	6,200	6,437	6,435	6,459	6,474
Water Main Breaks	7	7	10	16	17
Average Daily Consumption (gallons)	2,725,000	2,367,000	2,337,811	2,762,618	2,197,884
Sanitation					
Sewer Service Connections	6,200	6,437	6,437	6,459	6,474
Storm Drain Inlets	700	700	700	700	700
Sewer Main Blockages	62	51	34	10	19
Average Daily Treatment (gallons)	2,200,000	1,700,000	1,614,055	1,540,800	1,497,600
Solid Waste					
Recyclables Processed (tons per year)	7,506	3,292	3,153	2,954	2,900

Source: City of Millbrae

**CITY OF MILLBRAE
STATISTICS**

CAPITAL ASSETS BY FUNCTION / PROGRAM

(Information prior to 2006 is not available)

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

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

Source: City of Millbrae / GIS System