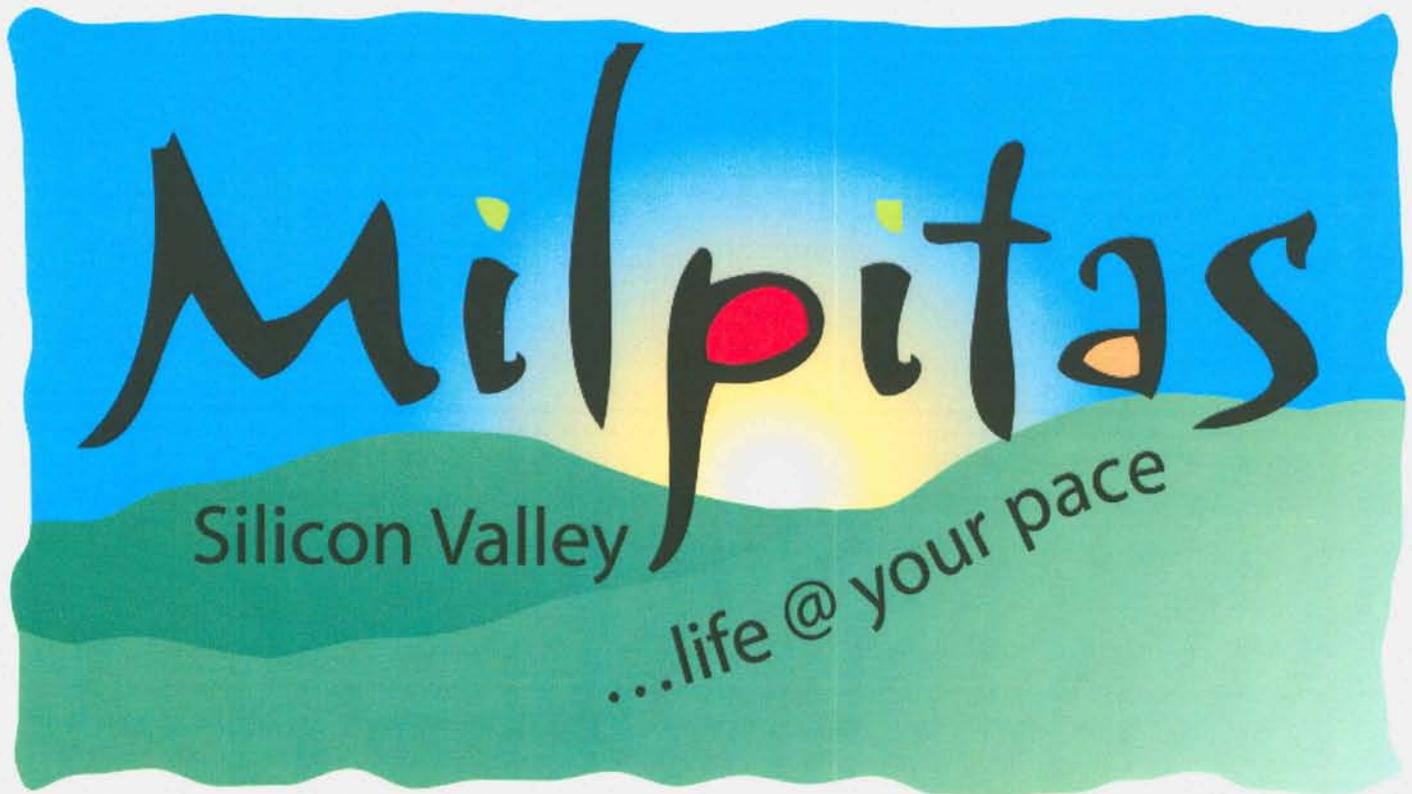




Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009



City of Milpitas
CALIFORNIA

CITY OF MILPITAS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Prepared by
THE DEPARTMENT OF FINANCIAL SERVICES

CITY OF MILPITAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

Page

INTRODUCTORY SECTION:

Table of Contents	i
Letter of Transmittal	v
Directory of City Officials	xv
Map of City's Location	xvi
Organization Chart	xvii
GFOA Certificate of Achievement	xviii

FINANCIAL SECTION:

<i>Independent Auditor's Report on Basic Financial Statements</i>	1
<i>Management's Discussion and Analysis</i>	3

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets	19
Statement of Activities	20

Fund Financial Statements:

Governmental Funds:

Balance Sheet	23
Statement of Revenues, Expenditures, and Changes in Fund Balances	24
Reconciliation of the Net Change in Fund Balances Total Governmental Funds with the Statement of Activities	25
Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
General Fund	26
Housing Reserve Fund	27

CITY OF MILPITAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

Page

FINANCIAL SECTION: (Continued)

Proprietary Funds:

Statement of Net Assets	29
Statement of Revenue, Expenses and Changes in Fund Net Assets	30
Statement of Cash Flows	31

Fiduciary Funds:

Statement of Fiduciary Net Assets	33
Notes to Basic Financial Statements	35

Supplemental Information:

Major Governmental Funds Other Than the General Fund and Special Revenue Funds:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:

Redevelopment Project Fund	73
Street Improvement Fund	74

Non-major Governmental Funds:

Combining Balance Sheets	76
Combining Statements of Revenues, Expenditures and Changes in Fund Balances	78
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non GAAP Legal Basis).....	80

Fiduciary Funds:

Statements of Changes in Assets and Liabilities – All Agency Funds.....	85
---	----

CITY OF MILPITAS
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2009

Page

STATISTICAL SECTION:

Net Assets – Last Eight Fiscal Years	87
Changes in Net Assets – Last Eight Fiscal Years	88
Fund Balances, Governmental Funds – Last Ten Fiscal Years	90
Changes in Fund Balances, Governmental Funds – Last Eight Fiscal Years	91
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years	92
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	93
Principal Property Tax Payers – Fiscal Year 2008-09 and 1999-2000	94
Property Tax Levies and Collections – Last Ten Fiscal Years	95
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	96
Bonded Debt Pledge Revenue Coverage Redevelopment Agency Tax Allocation Bonds – Last Ten Fiscal Years.....	97
Computation of Direct and Overlapping Debt	98
Legal Debt Margin Information – Last Ten Fiscal Years.....	99
Installment Payment Coverage, Sewer Certificates of Participation.....	100
Bimonthly Sewer Rates by Customer Class – Last Ten Fiscal Years.....	101
Demographic and Economic Statistics – Last Ten Fiscal Years.....	102
Principal Employers – Fiscal Year 2007-08 and 1999-2000	103
Taxable Sales by Category – Last Nine Calendar Years	104
Direct and Overlapping Sales Tax Rates – Last Ten Fiscal Years.....	105
Principal Sales Tax Payers – Calendar Years 2008 and 1999	106
Authorized Full-Time Equivalent Employees by Function/Program – Last Ten Fiscal Years.....	107
Operating Indicators by Function/Program – Last Ten Fiscal Years	108
Capital Assets Statistics by Function/Program – Last Ten Fiscal Years	110



CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479 www.ci.milpitas.ca.gov

October 28, 2009

Honorable Mayor, Members of the City Council and City Manager:

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Milpitas (the City) for the fiscal year ended June 30, 2009. The report was prepared by the Finance Department of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association of the United States and Canada.

A separate single audit report has been prepared in conformity with the provisions of the Federal Single Audit Act amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments."

THE REPORTING ENTITY AND ITS SERVICES

This report reflects the entity concept prescribed by generally accepted accounting principles. It combines the financial statements of the Milpitas Redevelopment Agency (the Agency) and the Terrace Gardens Inc. with those of the City to constitute a single reporting entity. In accordance with the criteria of the Government Accounting Standards Board Statement 14, the basic financial statements include the financial activity of the City, the Agency, and Terrace Gardens. The Agency and Terrace Gardens are separate legal entities from the City and are controlled by the City. The Agency has the same governing board as the City and the City also has control of the Terrace Gardens' governing board. However, the Agency and Terrace Gardens Inc. issue their own component unit financial statements.

Milpitas is a general law city of the State of California. The City was incorporated in 1954 and operates under a Council-Manager form of government. The City's political and legislative body is the City Council and is empowered by the general laws of the State of California to formulate citywide policy, including a fiscal program, City services, and appointment of the City Manager and City Attorney. There are four City Council members who are elected at-large for staggered four-year terms, and the Mayor is selected every two years in a separate citywide election.

The City provides a full range of municipal services. These include: police, fire, community services, public improvements, planning, building and public facility inspection, engineering, water and sewer utilities, redevelopment, and general administrative services.

Citizens of the City desiring to assist the City Council in forming government policy may do so by serving on a City commission. The commissions act in an advisory capacity to the City Council. They

are: Planning Commission; Community Advisory Commission; Library Advisory Commission; Parks, Recreation and Cultural Resources Commission; Telecommunications Commission; Arts Commission, Bicycle Pedestrian Advisory Commission; Emergency Preparedness Commission; Senior Advisory Commission; Recycling and Source Reduction Advisory Commission; Sister Cities Commission; Youth Advisory Commission; Economic Development Commission, Public Art Committee and the Mobile Home Park Rental Review Board.

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

Milpitas is situated within the Silicon Valley region, known throughout the world as the home of high technology, innovation and research. Milpitas, considered the “Crossroads of Silicon Valley,” with most of its 13.6 square miles of land situated between two major freeways, I-680 and I-880, has experienced tremendous growth since its incorporation in 1954. Over the past 30 years, the population growth has increased from 26,561 in 1970 to over 62,698 in 2000 (latest census). The Bay Area has experienced significant employment growth from 1992 through 2000, adding more than 170,000 jobs. However, in 2001, Santa Clara County experienced its first negative job growth since 1992. Between 2002 and 2004, over 130,000 jobs were lost as a result of the economic recession. Between 2005 and 2007, local economy began to recover slowly until 2008 when the economy went into global recession due to subprime mortgages, plummeting home sales and meltdown of the financial market. This region was severely impacted due to a concentration of the high-tech industry, heavy reliance on exports, decline of home prices, and reduced consumer spending. Milpitas was similarly impacted because of its location and comparable economic mix. The only exception in Milpitas is that retail sales tax revenue still held up pretty well from the Great Mall of the Bay Area which is a discount value shopping mall and the addition of a Toyota car dealership. The section below entitled “Major Activity in the City” will discuss some of the more large scale development activities that are occurring in Milpitas.

There are approximately 1,790 acres or 2.9 square miles of land area in the City limits designated for various industrial uses; about 271 acres are vacant and available in parcels ranging in size from ½ acre to 75 acres. Included in this acreage total are eight industrial parks. An estimated 350 acres of land are dedicated to regional and community retail centers supporting 3.5 million square feet of commercial shops. There are 550 manufacturing plants in Milpitas. The Great Mall of the Bay Area is the largest enclosed mall in Northern California, with approximately 1.1 million square feet of leasable space for retail and entertainment operations. Several local shopping centers serve regional needs for Asian-oriented retail and services.

The leading economic segments are apparel stores, restaurants, and electronics equipment. The five largest manufacturing employers are Cisco Systems, Inc., Lifescan Inc., LSI Logic Corporation, Flextronics, and SanDisk Technology. Other major employers include KLA-Tencor and Linear Technology. Several of these top employers make Milpitas their corporate headquarters. The two largest non-manufacturing employers in Milpitas are The Great Mall of the Bay Area and the Milpitas Unified School District.

Milpitas Redevelopment Agency is one of the top ten RDAs in the State. With the 2003 expansion of the Agency, Redevelopment Area 1 encompasses 2,230 acres or 26% of the City. The Project produces over \$36 million in annual tax increment. In November 2003 the Agency issued \$200 million in tax allocations bonds to generate funds for key City and Agency projects including a new library, major infrastructure improvements and a new senior center.

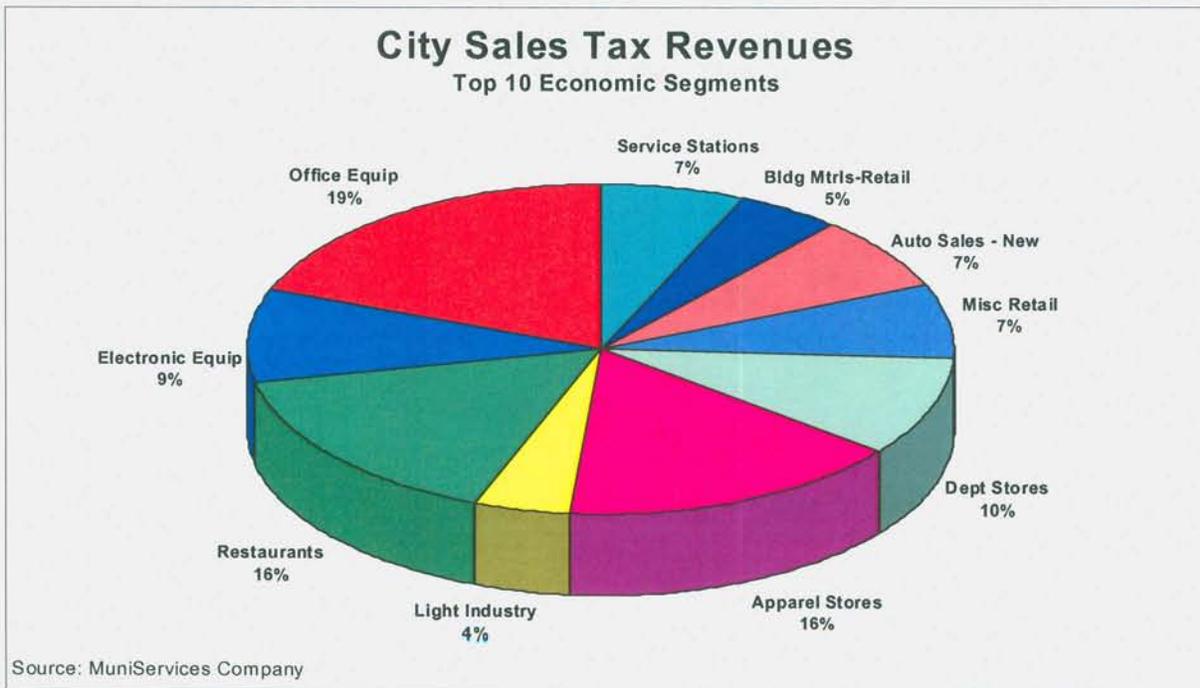
Consumer Confidence Level

The consumer confidence index in February 2009 was at its all time low since the index was tracked beginning in 1967. Despite improvement of the consumer confidence level in recent months, consumers remained apprehensive about the short-term outlook and their income. This sentiment is reflected by decreased local sales tax revenue in recent months.

Top Ten Sales Tax Generators by Economic Segment



The chart below provides an overview of the City’s sales tax revenue by economic segment. Total amount of sales tax revenue for the latest benchmark year was about \$14.1 million, with the top ten economic segments generating about \$11.7 million. Office equipment led the increase due to addition of use tax generated from a high-tech company but restaurants and miscellaneous retail sectors were at their lowest due to lack of consumer spending.



Many of the major activities initiated in FY08-09 are consistent with the City Council's direction to focus on projects and funding that will provide for the economic stability of the community, especially developments in the Midtown area that will enhance the City's long-term financial condition.

Major Activity in the City

Midtown Specific Plan – The vision for this area includes high density housing within walking distance to light rail and BART to support the public investment in mass transit, transforming neighborhoods into an attractive and economically vital district with plazas and a network of pedestrian and bicycle trails, a vibrant streetscape along the north end of Main Street and a mixture of housing, shopping, employment, entertainment, and cultural and recreational opportunities. The implementation efforts began with several capital improvement projects such as the new Library, parking garage, Main Street and Abel Street infrastructure improvements. Other development activities undertaken by outside agencies include the construction of a County Health Center and a parking garage. A 103-unit Senior Housing restricted for low-income seniors was completed in fiscal 2009.

Transit Area Specific Plan – The City adopted a Transit Area Specific Plan in June 2008 which provides for medium to high density development surrounding the future Montague/Capitol BART station and two VTA Light Rail Stations. The intent of the Plan is to foster economic development of the area, strengthen and expand retail uses to increase sales tax revenues, attract major retailers and provide housing and amenities such as parks, retail and restaurants. In February 2009, the Council approved the first high density residential project in this area. The project consisted of 639 housing units and will be developed by Citation Homes.

Residential Development – Residential development activities were impacted by the declining housing market. Several residential developments that received their application approvals were on hold. Nevertheless, Milpitas represents one of the more affordable alternatives in Santa Clara County, with the median home price at around \$400,000. Residential developments that are under construction include Shapell Town Center (65 townhouse units) and Paragon (141 townhouse units).

Non-residential Development – There are no large scale commercial developments currently. Non-residential development primarily consists of tenant improvements in existing commercial buildings. In FY 08-09, building permits were issued to Cisco Corporation for occupancy in several vacant office buildings and Linear Technology for site improvements and renovations. Other commercial development activities include the development of land adjacent to the KB Homes development for another car dealership.

CITY ANNUAL PERFORMANCE REPORT

During fiscal year 2008-2009, City staff initiated and implemented various programs and projects that significantly improved services to the citizens and the community. These efforts are consistent with the City mission statement and the City Council's priorities and policy direction. A listing and brief description of these programs and projects is as follows:

Fire

- Responded to 4,361 emergency incidents with an average response time of 4.1 minutes.
- Presented fire prevention information at over 60 public events.
- Conducted 995 plan reviews, issued 936 approvals/permits and performed 1,585 fire inspections.
- Certified 230 new "Strategic Actions For Emergencies" (SAFE) team members in various neighborhoods.
- Implemented prioritized emergency medical dispatch services.

Police

- Reduced violent crimes (murder, rape, robbery and aggravated assault) by 20%, to a 36-year low of 2.15 incidents per 1,000 residents.
- Reduced response time to emergency calls to 2:46 minutes, a eight-year low.
- Implemented Gang Suppression Policy, reducing the number of on-campus assaults at Milpitas High School by 45% in 2008.
- Reduced residential burglaries by 17% in calendar year 2008.
- Expanded car seat safety program to include presentations in Spanish.

Engineering

- Completed construction of the new Milpitas Library and the North Main Street Streetscape improvements.
- Completed the Sanitary System Management Plan and adopted the Sewer, Water and Financial Utility Master Plans.
- Continued to meet deadlines for development projects and provide quality service to customers.
- Pursued grant funding to supplement City's funding for capital improvement projects.

Public Works Maintenance

- Provided cross-training and safety training to staff to improve efficiency and reduce injuries.
- Investigated approximately 3,900 customer service requests and provided immediate response for urgent/safety related service requests.
- Managed the completion of the Main Lift Station Improvement Project.
- Responded immediately to all roadway hazards, graffiti abatement, and emergency storm service requests.

Planning/Neighborhood Services

- Prepared a standardized Planning Procedure Manual to ensure consistency in service delivery.
- Completed the update to the General Plan Housing Element.
- Completed a number of zoning amendments to make the regulations easier to understand and implement.

- Led the effort to establish the Transit Area Development Impact Fee and a new municipal service Community Facilities District in the Transit Area.
- Completed the permit tracking system transition for Code Enforcement.

Parks and Recreation

- Held first Spooktacular Event with an attendance of approximately 3,000.
- Increase Summer Day Camp program revenues by 10% to \$112,000.
- Increased volunteers' participation from 135 to 180 individuals from the local high school and middle school students for the annual Park Clean-up.
- Opened three new community parks in Milpitas and installed new park signs for eight parks.

Building Inspection

- Continued improvement of the new permitting system and website enhancements to create an effective and efficient public access tool.
- Led the Roadmap for Service Improvements staff committee to continue to streamline the permitting process.
- Utilized hand-held computer technology to allow inspectors to be more efficient in the field.
- Combined Public Works and Building Inspection services to provide improved level of customer service.

Administration

- Implemented the Roadmap to Service Improvement project resulting in improved permit turn-around time and customer satisfaction.
- Continued to reorganize City departments and divisions to improve staff utilization, increase efficiency, accountability and cost savings to the City.
- Submitted a balanced FY 09-10 budget for City Council's adoption.
- Successfully implemented a Use Tax outreach program to enhance the City's sales and use tax revenue.
- Completed Freeway Signage Agreement with developers for revenue generating message boards.

City Attorney

- Successfully completed hiring of full staff and implemented staff assignment plan to service various departments.
- Revised the Purchasing, Mobile Home, and Open Government ordinances.
- Advised staff and ensured compliance with Proposition 218 in proposed increase of wastewater and water service rates.
- Assisted staff through Library, Parking Garage and Main Street Midtown Improvement capital project completion.

Human Resources

- Conducted Classification Studies and updated Job Descriptions for ADA compliance.
- Created and distributed to City employees the 2008 Total Compensation Reports to facilitate understanding of benefit costs.
- Successfully negotiated contracts with ProTech, Mid-Management, Police and Fire employee unions.

- Successfully completed the transition of the Life Insurance provider from Cigna to Lincoln Life Insurance

Information Services

- Designed the City Website to enhance user friendliness.
- Completed New Library and Parking Garage technology projects.
- Completed Mobile Computer Upgrade for Public Safety departments.
- Successfully completed year one of the 8 year Equipment Replacement Project.

Finance

- Received awards from the Government Finance Officer's Association and California Society of Municipal Finance Officers for Budget Presentation and Financial Reporting.
- Implemented an on-line Business License application that allows the acceptance of renewal on-line with credit card payments.
- Implemented on-line utility bill presentation and allowed customers to view internet payment transactions.
- Provided accurate and timely reports within 15 days from month-end to assist departments in monitoring their budget.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. 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 evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The Finance Department staff remains committed to improving the City's accounting system; to maintain the City's internal accounting controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council and the members of the Agency by resolution when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by fund. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. The City Manager has limited budget appropriation authority in an amount not to exceed 1% of the total general fund budget, although the source of funds is to be determined by the Manager. The appropriations must be reported to the City Council on a periodic basis. Periodic reports of revenue, expense, and investment activity are prepared and distributed to the City Council and City departments to monitor spending in relation to the budget. At fiscal year-end, open encumbrances are reported as reservations of the fund balance. The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

Category and Fund Type

Governmental Funds:	General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds
Proprietary Funds:	Enterprise Funds and Internal Service Fund
Fiduciary Funds:	Agency Funds

Governmental Funds: The basic financial statements necessary to fairly present the financial position and operating results from major governmental funds are the balance sheet, and the statement of revenues, expenditures and changes in fund balance. These funds are maintained using the modified accrual basis of accounting, which is more thoroughly explained in the Notes to the Financial Statements.

Proprietary Funds: Generally accepted accounting principles applicable to private commercial business are applicable to proprietary funds of a government agency. The basic financial statements required to present the financial position and operating results from major proprietary funds are the statement of net assets, statement of revenues, expenses, and changes in net assets, and the statement of cash flows. The accrual basis of accounting is utilized as explained in the Notes to the Financial Statements.

Fiduciary Funds: Fiduciary funds are used to account for assets held by a government agency acting as a trustee or agent for individuals, assessment districts, organizations, other governmental units or other funds of the same entity. These funds are also identified in this report as Agency Funds. The modified accrual basis of accounting is used as explained in the Notes to the Financial Statements.

FINANCIAL ANALYSIS

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

CASH MANAGEMENT

The City has a formal investment policy, which is subject to annual review and approval by the City Council. Available cash for operations was invested in the State Treasurer's Local Agency Investment Fund, corporate notes, money market funds, commercial paper, and government securities. Restrictions on the maturity and percentage of the investments and categorization of credit risk are discussed in the Notes to the Basic Financial Statements. The City's portfolio was invested mainly in Federal Agency Issues, U.S. Treasury Coupons and Corporate Notes. The average annual yield was 3.17% on the City's month-end average investment balances. This compared with a return of 4.17% in the prior year. Investment income includes appreciation or depreciation in the fair value of investments. Increases or decreases in fair value during the current year do not necessarily represent trends that will continue nor considered an impact to available financial resource, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

CAPITAL IMPROVEMENTS

Capital improvement expenditures are accounted for in the capital projects. At the end of the fiscal year, the value of these projects is presented in the Statement of Net Assets as part of the Capital Assets.

City expenditures by project category for all capital improvements for fiscal year 2008-2009 were as follows:

<u>Project Category</u>	<u>Amount</u>
General Government Projects	\$ 91,847
Storm Drain Projects	174,465
Park Projects	409,785
Street Projects	3,610,222
Water Projects	1,479,554
Sewer Projects	2,879,591
Redevelopment Agency Projects	16,894,317
Total	<u>\$25,539,781</u>

INDEPENDENT AUDIT

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, a separately issued document contains the auditors' reports on the internal control structure and compliance with applicable laws and regulations related specifically to the single audit.

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 for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received the GFOA Certificate of Achievement for twenty of the last twenty-one years (fiscal years ended 1988-2008). The 1992-93 report was not submitted to GFOA due to timing delays.

Fiscal Year 2005-06 was the first year the City was not able to participate in the California Society Municipal Finance Officers (CSMFO) Award Program for Outstanding Financing Reporting. The CSMFO Board of Directors determined that beginning with fiscal year 2005-06 only agencies that did not participate in the GFOA award program were eligible to participate in the CSMFO program. Prior to

this change in policy by the CSMFO, the City received the CSMFO Outstanding Financial Reporting award for the past eight consecutive years.

We believe our current report continues to conform to the Certificate program requirements. This report will be submitted to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

I extend my appreciation to the entire staff in the Finance Department and other departments who assisted in the process of compiling the information for this report. In addition, I extend a special "thank you" to the City's Accounting Services Division staff and our external auditors who contributed long hours to make this document possible. Their efforts and continued dedication are greatly appreciated. I sincerely thank the Mayor, members of the City Council and City Manager, for their support, interest, and integrity in directing the financial affairs of the City in a responsible, professional, and progressive manner.

Respectfully submitted,



Emma C. Karlen, CPA
Director of Financial Services

DIRECTORY OF OFFICIALS

June 30, 2009

City Council

Mayor	Robert Livengood
Vice-Mayor	Peter McHugh
Councilmember	Armando Gomez, Jr
Councilmember	Althea Polanski
Councilmember	Debra Giordano

City Manager

Thomas C Williams

Police Chief
Dennis Graham

Director of Financial Services
Emma Karlen, CPA

Fire Chief, Interim
Ruben Grijalva

City Clerk
Mary Lavelle

City Attorney
Michael Ogaz

Chief Information Officer
William Marion

Human Resources Director
Carmen Valdez

Public Works Director/City Engineer
Greg Armendariz

Planning & Neighborhood Svc Director
James Lindsay

Chief Building Officer
Keyvan Irannejad

Parks and Recreation Director
Bonnie Greiner



The City of Milpitas is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. Milpitas is often called the “Crossroads of Silicon Valley” with most of its 13.56 square miles of land situated between two major freeways (I-880 and I-680), State Route 237, and a county expressway. The light rail line opened for service in 2004 and an extension of BART, with a major multi-modal station, is in the planning stages.

DIRECTORY OF OFFICIALS

June 30, 2009

City Council

Mayor	Robert Livengood
Vice-Mayor	Peter McHugh
Councilmember	Armando Gomez, Jr
Councilmember	Althea Polanski
Councilmember	Debra Giordano

City Manager
Thomas C Williams

Police Chief
Dennis Graham

Director of Financial Services
Emma Karlen, CPA

Fire Chief, Interim
Ruben Grijalva

City Clerk
Mary Lavelle

City Attorney
Michael Ogaz

Chief Information Officer
William Marion

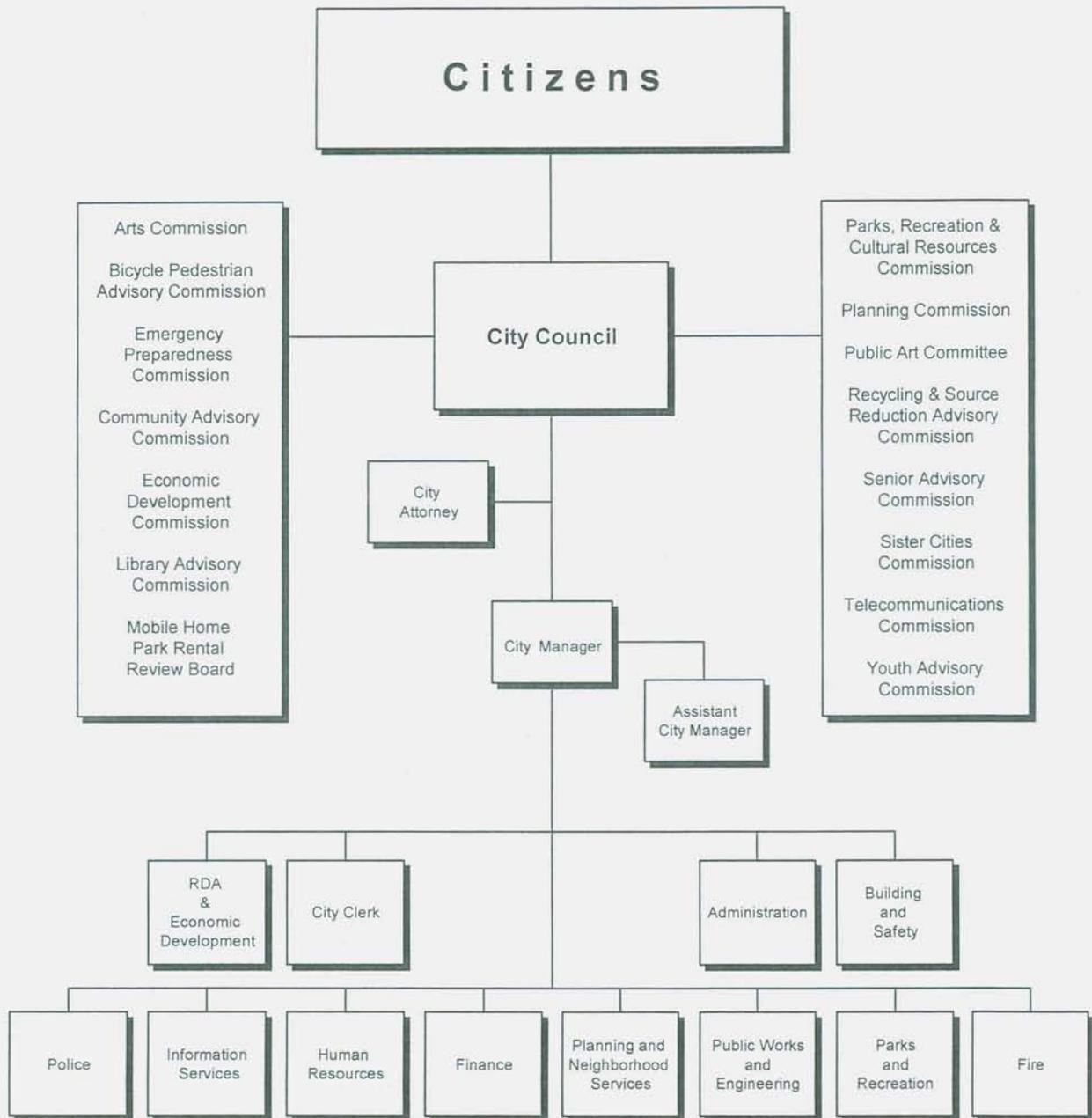
Human Resources Director
Carmen Valdez

Public Works Director/City Engineer
Greg Armendariz

Planning & Neighborhood Svc Director
James Lindsay

Chief Building Officer
Keyvan Irannejad

Parks and Recreation Director
Bonnie Greiner



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milpitas
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

ACCOUNTANCY CORPORATION

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

To the Honorable Members of the City Council
City of Milpitas, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milpitas as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of Terrace Gardens, Inc. as of and for the year ended December 31, 2008, which represent 1.54%, 1.21%, and 2.20% of the assets, revenues, and capital assets of the reporting, respectively. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of these other auditors.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, 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 Milpitas as of June 30, 2009 and the respective changes in the financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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. This information has been subjected to the auditing procedures applied in the 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 introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



September 18, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides readers of the City of Milpitas' financial statements a narrative overview and analysis of the financial activities of the City of Milpitas for the fiscal year ended June 30, 2009. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL 2009 FINANCIAL HIGHLIGHTS

The City's revenues in fiscal 2009 reflect a declining local economy primarily due to the faltering housing market coupled with high unemployment. The unemployment rate for the San Jose-Sunnyvale-Santa Clara metropolitan area in June 2009 was at 11.9%. It was much higher than the unemployment rate of 6.1% a year ago. The meltdown of the housing market caused by the sharp decline of home prices and sub-prime mortgages greatly affected residential developments and consumer spending. As will be further discussed below, all these economic factors translated into decreases in key revenues such as sales taxes, building permit fees and charges for planning and engineering services from private developments. Transient Occupancy Tax revenues were also impacted as business related travels were substantially curtailed. Fiscal 2009 financial highlights include the following:

City-wide:

- The City's total net assets were \$422.3 million at June 30, 2009. Of this total, \$290.6 million were Governmental assets and \$131.7 million were Business-type assets.
- City-wide revenues include program revenues of \$47.9 million and general revenues and transfers of \$85.1 million, totaling \$133 million, a decrease of \$8.8 million from the prior year's total of \$141.8 million.
- Total City-wide expenses were \$122.6 million, an increase of \$1.3 million from the prior year's \$121.3 million.

Fund Level:

- Governmental Fund balances were \$159.9 million, a decrease of \$5.8 million from fiscal 2008.
- Governmental Fund revenues were \$107.2 million in fiscal 2009, up \$1.1 million from the prior year's \$106.1 million.
- Governmental Fund expenditures were \$117.7 million in fiscal 2009, a decrease of \$9.5 million from fiscal 2008's level of \$127.2 million.
- General Fund revenues of \$57.6 million represented a decrease of \$1.6 million from fiscal 2008's revenues of \$59.2 million.
- Total other financing sources of the General Fund was \$10.1 million in fiscal 2009, \$0.4 million more than fiscal 2008's \$9.7 million.
- General Fund balance of \$50.8 million at the fiscal 2009 year-end represented a decrease of \$0.3 million from fiscal 2008's fund balance of \$51.1 million.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is in six parts:

- 1) Introductory section, which includes the Transmittal Letter and general information,
- 2) Management's Discussion and Analysis (this part),
- 3) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements,
- 4) Supplementary Information,
- 5) Combining statements for Non-major Governmental Funds and Fiduciary Funds,
- 6) Statistical information.

The Basic Financial Statements

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position—long-term and short-term.

The City-wide Financial Statements provide a longer-term view of the City's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City's programs. The Statement of Activities explains in detail the change in net assets for the year.

The Fund Financial Statements report the City's operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities and fund balances, but exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these Non-major funds. Major Funds are explained below.

The City acts solely as a depository agent for Local Improvement Districts and certain other entities. The fiduciary statements provide information about the cash balances and activities of these Districts and other entities. These statements are separate from the City's financial statements and their balances are excluded from the City's fund balances.

Together, all these statements are called the Basic Financial Statements.

The City-wide Financial Statements

All of the City's basic services are considered to be governmental activities, including general government, community development, public safety, public works, parks & recreation, public improvements, planning and zoning, and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as fees. The basic financial statements can be found in pages 19-21 of this report.

All of the City's enterprise activities, including water, recycled water, and sewer are also reported on the basic financial statements. Unlike governmental services, these activities are supported by charges paid by users based on the amount of their service consumption.

The City's governmental activities include the activities of two separate legal entities, the Milpitas Redevelopment Agency (RDA) and Terrace Gardens, Inc., because the City is either financially accountable for these entities or has control of the governing board of these entities.

Citywide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the citywide financial statements.

Enterprise and internal service fund financial statements are prepared on the full accrual basis and include all these funds' assets and liabilities, both current and long-term.

The Fund financial statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change from year to year as a result of changes in the pattern of the City's activities.

The City has three Major Governmental Funds in fiscal 2009 in addition to the General Fund. These are the Housing Reserve Fund, the Redevelopment Project Fund and the Street Improvement Fund, each of which is discussed in detail below.

All three of the City's Enterprise Funds are reported as Major Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other Major governmental funds that are Special Revenue Funds, which in the City's case includes the Housing Reserve Fund only.

Fiduciary Statements

The City is the agent for certain local improvement districts, holding amounts collected from property owners which await transfer to these Districts' bond trustees. The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

CITYWIDE FINANCIAL ANALYSIS

The analysis focuses on the net assets and changes in net assets of the City as a whole. Comparisons of the current year's net assets and activities with fiscal 2008 are presented in table form. Any significant changes are analyzed and discussed.

Governmental Activities

**Table 1
Governmental Net Assets at June 30
(in Millions)**

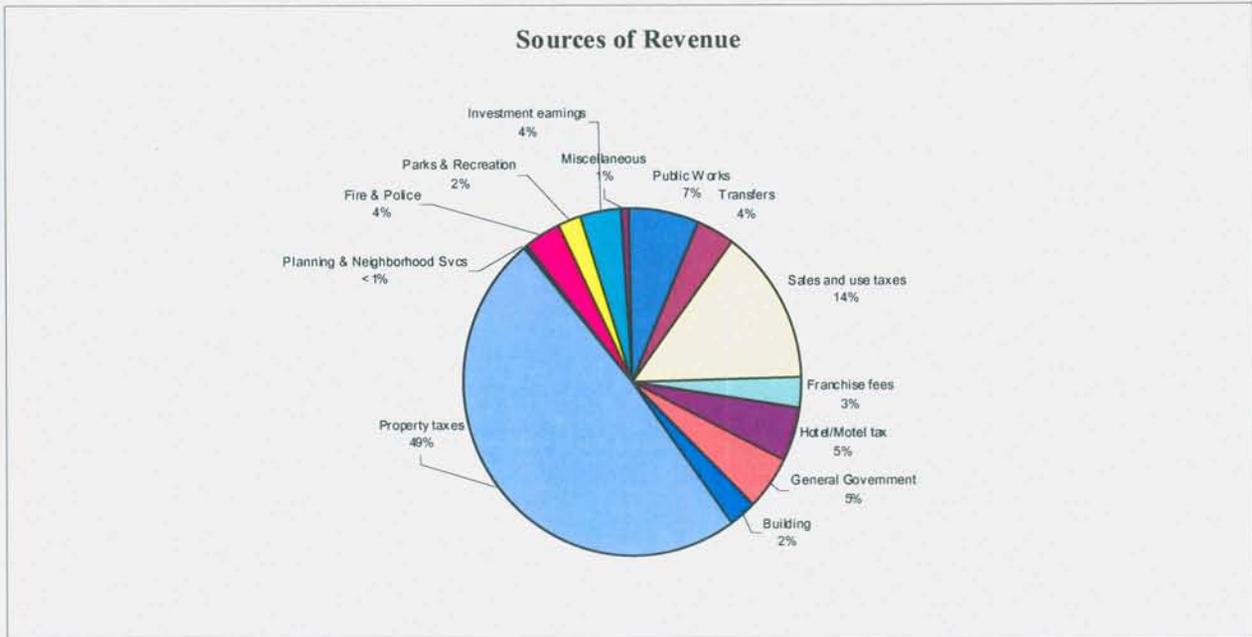
	Governmental Activities	
	2009	2008
Cash and investments	\$164.2	\$173.2
Other assets	41.4	38.9
Capital assets	326.9	320.0
Total assets	532.5	532.1
Long-term debt outstanding	211.1	219.3
Other liabilities	30.8	34.8
Total liabilities	241.9	254.1
Net assets:		
Invested in capital assets, net of related debt	221.7	224.6
Restricted	110.5	104.2
Unrestricted	(41.6)	(50.8)
Total net assets	\$290.6	\$278.0

The City's governmental net assets were \$290.6 million at June 30, 2009, an increase of \$12.6 million from 2008. This increase is reflected as Change in Net Assets in the Governmental Activities column of the Statement of Activities and is also shown in Table 2 of this analysis:

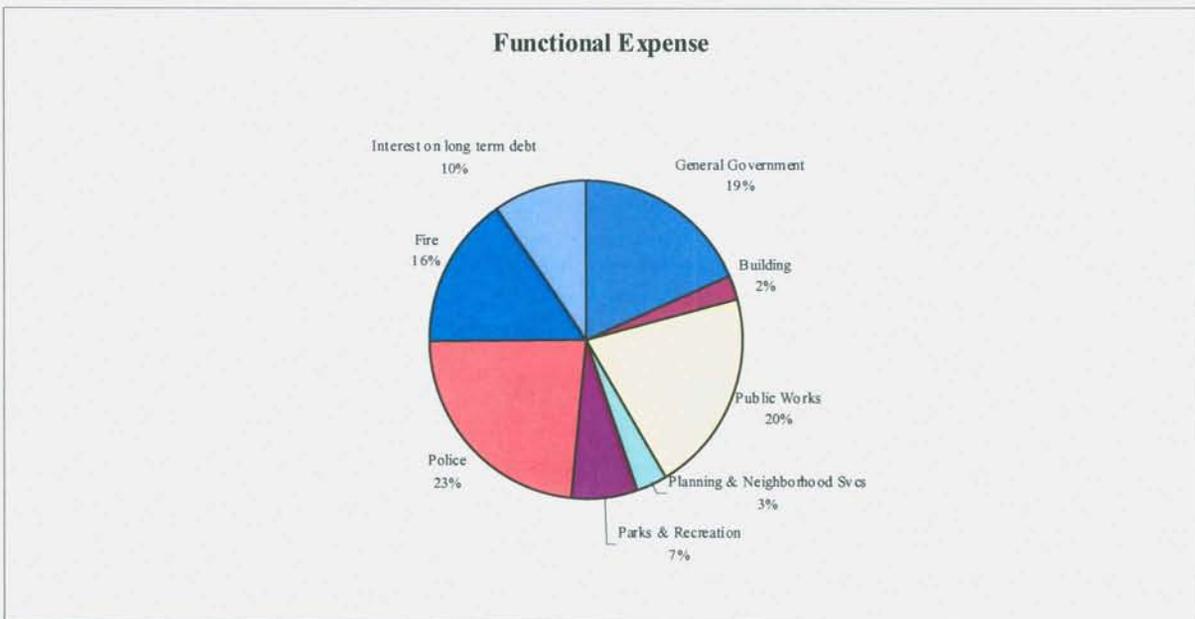
- Cash and investments decreased \$9 million principally due to the expenditure of bond proceeds for the Library, Senior Center and other capital improvement projects.
- Capital assets increased \$6.9 million from last year, as a result of \$22.1 million asset additions net of retirements in fiscal 2009, reduced by \$15.2 million depreciation of the capital assets.
- Long-term debt decreased \$8.2 million due to payments on outstanding bonds and the Installment Purchase Agreement.
- Other liabilities decreased \$4 million due to decreased accounts payable, uninsured claims payable and sick leave payable. There was also a reduction of debt service payments due within one year due to the final payment of the 2000 Technology Certificates of Participation occurring in fiscal 2009.

- Net assets invested in capital assets net of related debt decreased \$2.9 million primarily due to decreased unspent bond proceeds.

Fiscal Year 2009 Governmental Activities



As the Sources of Revenue Chart above shows, \$53.9 million or 49% of the City’s fiscal 2009 governmental activities revenue came from property taxes, while \$15.7 million or 14% came from sales and use taxes. The remainder came from a variety of sources, including charges for services, grants and contributions, franchise fees, hotel/motel taxes, investment earnings and building fees.



The [Functional Expenses Chart](#) on the previous page includes only current year expenses, which are discussed in detail below. It does not include capital outlays, which are added to the City's capital assets. In fiscal 2009, the City added \$6.9 million in capital assets, net of depreciation. The composition of Fiscal 2009's additions is shown in detail at Table 7.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Assets as summarized below.

Table 2
Changes in Governmental Net Assets
(in Millions)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Expenses		
General Government	\$18.2	\$18.1
Building	2.4	2.6
Public Works	19.6	20.8
Planning & Neighborhood Svcs	3.2	3.2
Parks & Recreation	6.5	6.5
Police	22.5	22.5
Fire	15.3	15.4
Interest on long term debt	9.4	11.5
Total expenses	<u>97.1</u>	<u>100.6</u>
Revenues		
Program revenues:		
Charges for services	10.4	12.2
Operating contributions and grants	4.9	4.6
Capital Grants	7.1	15.2
Total program revenues:	<u>22.4</u>	<u>32.0</u>
General revenues:		
Taxes:		
Property taxes	53.9	49.0
Sales and uses taxes	15.7	15.6
Hotel/Motel taxes	5.5	7.2
Other taxes	0.4	0.6
Franchise fees	3.1	3.0
Motor vehicle in lieu	0.2	0.3
Investment earnings	4.3	4.1
Miscellaneous	0.1	0.1
Gain on sale of capital assets	0.1	0.1
Total general revenues	<u>83.3</u>	<u>80.0</u>
Total Revenues	<u>105.7</u>	<u>112.0</u>
Surplus before transfers	8.6	11.4
Transfers	4.0	3.4
Changes in net assets	12.6	14.8
Beginning net assets	<u>278.0</u>	<u>263.2</u>
Ending net assets	<u>\$290.6</u>	<u>\$278.0</u>

Table 2 compares fiscal 2009 expenses and revenues with those of fiscal 2008. Expenses decreased \$3.5 million in fiscal 2009 primarily due to the reduction of interest expense as the principal on the outstanding bonds and obligations were paid. Other reason for reduced expenses came from budget savings primarily from attritions in the Public Works department and to a lesser extent in other departments. Although there were salary increases in accordance with negotiated Memoranda of Understanding and increased health insurance premiums in 2009, the City was able to maintain program expense levels similar to last year's from attritions of work force and very careful monitoring of all other expenses.

Table 2 shows that total government revenues decreased \$6.3 million in fiscal 2009. Program revenues decreased \$9.6 million while general revenues increased \$3.3 million. The reasons for the decrease in program revenues were fewer capital grants received from developers and less service charges received for building permits and inspections. The increase in general revenues was due to increased property tax revenue from the enrollment of new residential properties in the Redevelopment Project area on the fiscal 2009 tax roll.

Sales tax revenue in fiscal 2009 was \$0.1 million more than fiscal 2008, reflecting a declining economy that led to less consumer spending. Despite the full year operation of a car dealership and generation of use tax revenue from a couple of major high tech companies, the sales tax revenue increase was negligible in fiscal 2009. Transient Occupancy tax decreased \$1.7 million in fiscal 2009, reflecting curtailment of business travels.

Table 3 presents the net cost of each of the City's largest programs—general government, building, public works, planning & neighborhood services, parks & recreation, police, fire, and interest. Net cost is defined as total program cost less the revenues generated by those specific activities. The net cost of providing similar programs increased \$6.2 million due to decrease in program revenues. The revenues received from capital grants were substantially lower in fiscal 2009, especially those from the state agencies, as the State of California faced an unprecedented budget deficit. Charges for services such as building permits and inspection fees also decreased due to fewer development activities.

Table 3
Governmental Activities
(in Millions)

	Net (Expenses) Revenue From Services	
	2009	2008
General Government	\$(12.9)	\$(12.4)
Building	0.5	1.6
Public Works	(12.3)	(6.7)
Planning & Neighborhood	(2.9)	(2.6)
Parks & Recreation	(3.9)	(2.8)
Police	(20.3)	(20.1)
Fire	(13.5)	(14.0)
Interest on long term debt	(9.4)	(11.5)
Totals	\$(74.7)	\$(68.5)

Business-type Activities

Table 4
Business-Type Net Assets at June 30
(in Millions)

	Business-Type Activities	
	2009	2008
Cash and investments	\$38.9	\$43.1
Other assets	1.9	2.3
Capital assets	101.4	100.7
Total assets	142.2	146.1
Other liabilities	2.1	3.4
Long-term Debt	8.4	8.8
Total liabilities	10.5	12.2
Net assets:		
Invested in capital assets	92.6	92.0
Restricted	24.9	18.3
Unrestricted	14.2	23.6
Total net assets	\$131.7	\$133.9

The net assets of business-type activities were \$131.7 million in fiscal 2009, a decrease of \$2.2 million from fiscal 2008. Total assets and liabilities decreased \$3.9 million and \$1.7 million respectively. The decrease in net assets was caused by increased operating expenses of the Water, Sewer and Recycled Water Funds.

Table 5
Changes in Business-Type Net Assets
(in Millions)

	Business-Type Activities	
	2009	2008
Expenses		
Water Utility	\$12.5	\$11.6
Recycled Water Utility	0.6	0.5
Sewer Utility	12.3	8.6
Total expenses	<u>25.4</u>	<u>20.7</u>
Revenues		
Program revenues:		
Charges for services	25.0	26.3
Capital Grants	0.4	1.0
Total program revenues:	<u>25.4</u>	<u>27.3</u>
General revenues:		
Investment earnings	1.8	2.6
Total general revenues	<u>1.8</u>	<u>2.6</u>
Total Revenues	<u>27.2</u>	<u>29.9</u>
Excess before transfers	1.8	9.2
Transfers	<u>(4.0)</u>	<u>(3.4)</u>
Changes in net assets	<u>(2.2)</u>	<u>5.8</u>
Beginning net assets	<u>133.9</u>	<u>128.1</u>
Ending net assets	<u>\$131.7</u>	<u>\$133.9</u>

Table 5 compares fiscal 2009 expenses and revenues with those of fiscal year 2008. Expenses increased \$4.7 million in total in fiscal 2009 due to increased water purchase costs and increased operating expenses of the Wastewater Treatment Plant for which the City is responsible for its contractual share. Total program revenue decreased by \$1.9 million primarily due to decreased utility consumption as a result of the declining economy and water conservation. Total general revenue shows a decrease of \$0.8 million from last year primarily due to decreased interest earnings. The transfers represent reimbursements for administration costs incurred by the General Fund and the cost of capital assets constructed by other funds.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Table 6 below summarizes activities and balances of the governmental funds at the fund level:

Table 6
Financial Highlights of Governmental Funds at Fund Level at June 30
(in Millions)

	2009	2008
Total assets	\$227.9	\$230.4
Total liabilities	68.0	64.7
Total fund balances	159.9	165.7
Total revenues	107.2	106.1
Total expenditures	117.7	127.2
Total other financing sources	4.7	5.4

At June 30, 2009, the City's governmental funds reported combined fund balances of \$159.9 million, a decrease of \$5.8 million from last year. However, the fund balances of the Housing Reserve Fund, Street Improvement Fund and Other Governmental Funds increased \$4.8 million, \$0.1 million and \$0.2 million while the fund balances of the General Fund and Redevelopment Project Fund decreased \$0.3 million, and \$10.6 million, respectively.

Revenues at the fund level totaled \$107.2 million, an increase of \$1.1 million. Revenues for the Housing Reserve Fund and Redevelopment Project Fund increased \$0.9 million and \$3.6 million while the General Fund, Street Improvement Fund and Other Governmental Funds declined \$1.7 million, \$0.2 million and \$1.5 million, respectively.

Expenditures decreased \$9.5 million this year to \$117.7 million from last year's \$127.2 million. The expenditures of General Fund, Housing Reserve Fund, Street Fund and Other Governmental Funds increased by \$1.6 million, \$0.5 million, \$0.5 million, and \$0.3 million, respectively, while the Redevelopment Project Fund declined by \$12.4 million.

Analyses of Major Governmental Funds

General Fund

General Fund revenues decreased to \$57.6 million this fiscal year, down \$1.7 million from the prior fiscal year. Decreases came from other taxes, licenses and fines, and charges for services categories. Property tax revenue increased \$0.9 million due to increased assessed valuation on commercial properties and business equipment as well as increased pass-through payments from the Redevelopment Agency. Under Redevelopment law, the Redevelopment Agency is required to pass through a portion of the tax increment revenue to the taxing entities within the Project Area when the assessed valuation exceeds certain base year amount. The City is one of the taxing entities and received about \$500,000 pass through payment in fiscal 2009.

Other taxes decreased by \$1.7 million due to decreased Transient Occupancy Tax revenue attributable to decreased business travel. Licenses and permits declined \$1.4 million due to less development activities. Several residential developments that received their application approvals were on hold. Charges for

services also decreased by \$0.5 million due to less planning and engineering fees received from private developments.

Interest income was up \$0.3 million due to a \$2.7 million interest payment received from the Redevelopment Agency on a promissory note. In fiscal 2008, a similar interest payment received from the Redevelopment Agency was \$2.1 million. Sales tax revenue increased \$0.1 million reflecting economic stagnation that affected consumer spending. Despite a full year operation of a car dealership and additional use tax revenue generated from high tech companies, the increase in sales tax revenues was negligible.

General Fund expenditures increased \$1.6 million due to a one time adjustment to uninsured claims payable in 2008 that did not recur in fiscal 2009. Otherwise, General Fund expenditures in fiscal 2009 would have been similar to fiscal 2008's. General Fund was able to achieve savings in expenditures primarily due to attritions of work force and careful monitoring of other expenditures.

Net transfers primarily consist of reimbursements from other operating funds for administrative and overhead expenditures advanced by the General Fund. Net transfers were approximately \$10.1 million, up \$0.3 million from last year. The increase was explained by a one-time transfer of \$466,000 from the Equipment Replacement Fund to the General Fund. In fiscal year 2009, a transfer was made to return surplus replacement funds due to excess capacity of vehicles.

Compared to the final budget, expenditures were under budget by \$5.4 million. Other than cost savings from attritions of work force, the variances were explained by the reduction of workers' compensation and general liability expenditures by about \$580,000. The differences between the original budget and final budget were primarily attributable to additional budget appropriations related to operating grant revenues and reimbursable expenses from Federal Emergency Management Administration and Office of Environmental Services received by the Fire Department.

At June 30, 2009, the fund balance of the General Fund was \$50.8 million, of which \$1.1 million was reserved for encumbrances and other items; \$20.5 million was reserved for the advance to the Redevelopment Project Fund related to a property purchase, \$5.9 million was designated for the Library and performing arts programs, \$5.4 million was designated for stabilization of future PERS rate increases, \$2.8 million for uninsured claims payable, \$0.4 million for market value gain on investment, and \$14.7 million was undesignated.

Housing Reserve

This Fund accounts for Redevelopment Agency activities designed to increase the amount of low and moderate-income housing available in the City. In fiscal 2009, the balances of loans to developers increased from \$22.9 million to \$25.5 million, due to new loans provided to first time homebuyers and a non-profit developer for the development of a low-income senior housing project. Total expenditures of \$4.8 million primarily consisted of housing grants and loans for affordable housing.

Principal payments and in many cases interest payments on the "Silent Second" program to assist qualified low-income families to purchase homes in Milpitas are deferred until the property is sold or re-financed, and are not considered revenues until they are received. Principal and interest on loans to non-profit developers of such properties typically are at below-market rates and payments are deferred for considerable periods of years to assist these non-profit organizations in their efforts to develop affordable housing. All these loans are secured by deeds of trust on the underlying properties, and if the facilities constructed with these loans are not used for the purposes intended, the loans become due and payable immediately.

Revenue from interest income at \$1 million in fiscal 2009 was similar to fiscal 2008's. The net transfers of \$6.3 million comprised of \$7.9 million tax increment revenue for the 20% set-aside housing reserve requirement, offset by reimbursements to the General Fund and Redevelopment Project Fund for the Housing Reserve Fund's share of the administrative costs and debt service payments.

The Fund's fiscal year end fund balance of \$22.5 million is available only to fund future low and moderate-income program expenditures.

Redevelopment Project

This Fund accounts for property tax increments and other Redevelopment Agency revenues used to construct or acquire capital assets in the Redevelopment Agency's project areas. The Fund's revenues were \$40.9 million in fiscal 2009, an increase of \$3.6 million from fiscal 2008. Property tax increment revenues increased to \$36.1 million in fiscal 2009, an increase of \$3.9 million or 12% from fiscal 2008 due to enrollment of new housing units on the tax roll, primarily in the Midtown area. Interest income decreased by \$1.9 million due to reduced interest earnings from bond proceeds as the proceeds were spent on projects. Intergovernmental revenue increased \$1.7 million from fiscal 2008 due to contributions received from the Federal government and the State for capital improvement projects.

Fund expenditures were \$38.7 million in fiscal 2009, a decrease of \$12.4 million. Interest and principal payments totaling \$18.7 million included \$12.7 million debt service payments for the 2003 Tax Allocation Bonds, \$4 million installment payment pursuant to a Purchase and Sale Agreement with the County of Santa Clara, and \$2.0 million interest expenditure on a promissory note related to the purchase of properties from the City. Fund expenditures also included capital improvement project expenditures of \$17.4 million, a decrease of \$12 million from prior year due to substantial completion of the Library construction project.

The Fund's fiscal year end fund balance of \$57.7 million may be used only for redevelopment purposes. Of this amount, \$7.3 million was reserved for outstanding encumbrances and prepaids, \$4.7 million was reserved for advances to other funds, \$7.0 million was reserved for property held for resale or redevelopment, \$1.2 million for market value gain on investments and \$19.2 million was designated for committed capital projects and \$18.3 million was undesignated.

Street Improvement Capital Project

This Capital Project Fund accounts for majority of the capital projects activity in the City that is not developed in the redevelopment area. The Fund's revenues were \$1.3 million in fiscal 2009, a decrease of \$0.3 million from fiscal 2008. The decrease was due to decreased interest earnings and decreased capital grants received from other agencies and developers.

Fund expenditures were \$3.7 million in fiscal 2008, an increase of \$0.5 million from fiscal 2008 due to increased street maintenance and capital outlay.

The fund ended fiscal 2009 with \$9.9 million in fund balance, of which \$0.3 million was reserved for encumbrances outstanding, \$5.8 million was designated for capital projects and \$3.8 million was undesignated.

Other Governmental Funds

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

Analyses of Major Proprietary Funds

Total operating revenues of Business-type Activities decreased \$1.3 million from last year, while operating expenses increased \$4.7 million. Total revenues and total operating expenses were \$25 million and \$25 million respectively. Non-operating revenues of \$1.4 million in fiscal 2009 were \$0.8 million lower than the prior year primarily due to decreased interest income. Capital contributions decreased by \$1 million while net transfers out increased by \$0.6 million.

Water Utility

Water fund revenues were \$13.9 million in fiscal 2009, down \$1 million from the prior year. The decrease in revenues was primarily due to decreased water usage from the commercial/industrial sectors and water conservation from the residential sector. Expenses were \$12.6 million in fiscal 2009, up \$1 million from the prior year primarily due to increased purchased water expense and increased personnel and supplies costs. Net assets of the Water Utility Fund increased \$1.3 million in the current year to a total of \$57.2 million. The increase comprised \$1.3 million in operating income for the current year, \$0.8 million in non-operating revenues, \$0.1 million capital contributions from developer, offset by net transfers out of \$0.9 million. Transfers in of \$0.9 million represent reimbursements for the cost of capital assets constructed by the Water Enterprise Fund for the other enterprise funds. Transfers out of \$1.8 million were for reimbursements of administration costs incurred by the General Fund.

This Fund's Net Assets includes \$39.3 million invested in capital assets, \$15.6 million in restricted net assets, and \$2.3 million in unrestricted net assets.

Recycled Water Utility

Recycled Water fund revenues were \$1.3 million in fiscal 2009, approximately the same as prior year. Expenses were \$0.6 million in fiscal 2009, up \$0.1 million from last fiscal year. Net assets of the Fund decreased \$0.5 million in the current year to a total of \$2.7 million. This decrease included \$0.7 million in operating income and \$0.2 million in non-operating income, offset by transfers out totaling \$1.4 million. Transfers out were primarily reimbursements for the cost of capital assets constructed by the Water Enterprise Fund and other Capital Project Fund for the Recycled Water Fund.

This Fund's Net Assets includes \$0.3 million invested in capital assets and \$2.4 million in unrestricted net assets.

Sewer Utility

Sewer fund revenues were \$9.8 million in fiscal 2009, down \$0.2 million from the prior year due to reduced consumption by the commercial/industrial sectors. Expenses were \$11.9 million in fiscal 2009, up \$3.6 million from the prior year due to increased contribution for the City's share of the operating expenses of the Waste Water Treatment Plant. Non-operating revenues in fiscal year 2009 consisted of \$0.9 million interest income and \$0.4 million interest expense. Net assets of the Sewer Utility Fund decreased \$3 million in the current year to a total of \$71.7 million. This decrease comprised of \$2.1 million in operating loss, \$0.5 million in non-operating revenues, \$0.3 million in capital contributions by developers, offset by net transfers out of \$1.7 million. Transfers out of \$1.7 million were for reimbursements of administration costs incurred by the General Fund.

\$9.4 million of the Fund's Net Assets was unrestricted at the fiscal year end. Of the remainder, \$53 million was invested in capital assets and \$9.3 million was restricted as to use.

CAPITAL ASSETS

The City recorded the cost of all its infrastructure assets such as roads, bridges, signals and similar assets used by the general population and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal 2009, the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 7 below:

Table 7
Capital Assets at Year-end
(in Millions)

	<u>2009</u>	<u>2008</u>
<i>Governmental Activities:</i>		
Land	\$ 57.5	\$ 57.0
Construction in progress	87.6	81.8
Buildings and improvements	93.4	93.4
Other improvements	22.8	22.8
Machinery and equipment	32.3	20.0
Landscape system	29.6	29.6
Storm system	72.8	72.8
Street system	210.4	207.3
Traffic system	16.6	16.6
Less accumulated depreciation	<u>(296.1)</u>	<u>(281.3)</u>
Totals	<u>\$326.9</u>	<u>\$320.0</u>
 <i>Business-type Activities:</i>		
Land	\$ 1.1	\$ 1.1
Construction in progress	21.8	18.1
Distribution facilities	67.3	67.3
Service lines	10.9	10.4
Sewer lines	58.3	58.3
Capacity rights	30.8	30.8
Less accumulated depreciation	<u>(88.8)</u>	<u>(85.3)</u>
Totals	<u>\$101.4</u>	<u>\$100.7</u>

The principal additions in fiscal 2009 were machinery and equipment and construction-in-progress. Majority of the machinery and equipment expenditures were for technological related systems such as the Finance system, GIS system, Telecommunication system, and Computer Aided Draft system. Construction in progress included the Library, Main Street Improvement, Senior Center, Main Sewage Pump Station and Gibraltar Pump Station. Further detail on capital assets, current year additions and construction in progress can be found in Note 8.

The City depreciates all its capital assets over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 8.

DEBT ADMINISTRATION

Substantially all of the City's debt was issued to finance redevelopment projects, Sewer infrastructure improvements and technological capital outlays. These debt issues are secured by the tax increment revenue of the Redevelopment Agency, lease payments of the General Fund and sewer revenue. Each of the City's debt issues is discussed in detail in Note 9 to the financial statements. At June 30, 2009 the City's debt comprised:

Table 8
Outstanding Debt
(in Millions)

	Balance June 30, 2009	Balance June 30, 2008
Governmental Activity Debt:		
Redevelopment Agency 2003 Tax Allocation Bonds 2% - 5.25%, due September 1, 2032	\$179.2	\$183.2
Technology Certificates of Participation, Series 2000 4% - 4.25%, due November 1, 2008	0.0	1.2
Installment Purchase Agreement with the County Of Santa Clara, due June 30, 2023	40.1	43.4
Total Governmental Activity Debt	<u>\$219.3</u>	<u>\$227.8</u>
 Business-type Activity Debt:		
Sewer Certificates of Participation, 2006 Series A 3.4% -4.2%, due November 1, 2026	\$ 8.8	\$ 9.2
Total Business-type Activity Debt	<u>\$ 8.8</u>	<u>\$ 9.2</u>

LOCAL IMPROVEMENT DISTRICT DEBT

Local improvement districts in different parts of the City have issued debt to finance infrastructure and facilities construction entirely in those districts. At June 30, 2009, a total of \$20.9 million in local improvement district debt was outstanding, issued by three local improvement districts. This debt is secured only by special assessments on the real properties in the district issuing the debt, and is not the City's responsibility. The City does act as these Districts' agent in the collection and remittance of assessments, and in the management of facilities construction. Further detail on these districts may be found in Note 15 to the financial statements.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 455 East Calaveras Boulevard, Milpitas, CA 95035-5479 or to the City's website at www.ci.milpitas.ca.gov.

CITY OF MILPITAS
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Terrace Gardens Inc.
ASSETS				
Cash and investments available for operations (Note 3)	\$145,051,162	\$38,876,612	\$183,927,774	\$24,396
Restricted investments (Note 3)	19,174,524		19,174,524	962,222
Receivables:				
Accounts	1,221,484	1,381,852	2,603,336	
Due from other governments	2,140,407	7,768	2,148,175	52
Interest	992,559	308,305	1,300,864	
Loans receivable (Note 5)	28,958,538		28,958,538	
Prepays, materials, supplies and deposits	720,328	266,752	987,080	13,567
Property held for resale (Note 6)	7,333,795		7,333,795	
Capital assets and capacity rights (Note 8):				
Land and construction in progress	145,073,598	22,900,215	167,973,813	1,565,277
Depreciable capital assets, net	181,844,218	78,490,588	260,334,806	7,855,565
Total assets	532,510,613	142,232,092	674,742,705	10,421,079
LIABILITIES				
Accounts payable	3,351,572	1,157,760	4,509,332	74,048
Accrued payroll	2,252,781	76,019	2,328,800	23,689
Interest payable	2,849,513	55,299	2,904,812	
Uninsured claims payable (Note 13):				
Due within one year	1,089,230		1,089,230	
Due in more than one year	2,319,602		2,319,602	
Refundable deposits	1,122,253	121,921	1,244,174	80,071
Unearned revenue	232,457		232,457	99
Accrued vacation (Note 12):				
Due within one year	542,546	59,162	601,708	
Due in more than one year	3,930,164	119,806	4,049,970	
Sick leave payable (Note 12):				
Due within one year	295,331	45,520	340,851	
Due in more than one year	4,580,099	123,070	4,703,169	
Long term debt (Note 9):				
Due within one year	8,169,105	355,000	8,524,105	
Due in more than one year	211,142,829	8,460,000	219,602,829	
Total liabilities	241,877,482	10,573,557	252,451,039	177,907
NET ASSETS (Note 10)				
Invested in capital assets and capacity rights, net of related debt	221,743,893	92,575,803	314,319,696	9,420,842
Restricted for:				
Capital projects	21,518,011	24,911,095	46,429,106	
Redevelopment and community development activities	88,944,620		88,944,620	
Total restricted net assets	110,462,631	24,911,095	135,373,726	
Unrestricted	(41,573,393)	14,171,637	(27,401,756)	822,330
Total net assets	\$290,633,131	\$131,658,535	\$422,291,666	\$10,243,172

See accompanying notes to financial statements

CITY OF MILPITAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary Government:						
Governmental Activities:						
General Government	\$18,184,399	\$955,884	\$1,356,306	\$2,976,373	(\$12,895,836)	
Building	2,400,688	2,896,394			495,706	
Public Works	19,604,759	1,996,140	2,039,141	3,307,403	(12,262,075)	
Planning and Neighborhood Services	3,248,921	357,548	3,128		(2,888,245)	
Parks and Recreation	6,518,865	1,655,214	258,008	646,356	(3,959,287)	
Police	22,513,841	1,425,306	748,043		(20,340,492)	
Fire	15,260,056	1,108,406	515,273	170,978	(13,465,399)	
Interest on long term debt	9,401,594				(9,401,594)	
Total Governmental Activities	97,133,123	10,394,892	4,919,899	7,101,110	(74,717,222)	
Business-type Activities:						
Water Utility	12,545,574	13,873,013		104,087		\$1,431,526
Recycled Water Utility	575,813	1,287,576		47,913		759,676
Sewer Utility	12,311,169	9,849,174		318,819		(2,143,176)
Total Business-type Activities	25,432,556	25,009,763		470,819		48,026
Total Primary Government	\$122,565,679	\$35,404,655	\$4,919,899	\$7,571,929	(74,717,222)	48,026
Component Unit:						
Terrace Gardens Inc.	\$1,554,508	\$1,573,866				
General revenues:						
Taxes:						
Property taxes					53,916,578	
Sales and use taxes					15,669,828	
Hotel/Motel taxes					5,549,931	
Other taxes					416,463	
Franchise fees, unrestricted					3,151,420	
Motor vehicle in lieu					237,440	
Investment earnings					4,252,899	1,755,688
Miscellaneous					92,437	
Gain from sale of capital assets					34,643	
Transfers (Note 4)					4,028,780	(4,028,780)
Total general revenues and transfers					87,350,419	(2,273,092)
Change in Net Assets					12,633,197	(2,225,066)
Net Assets-Beginning					277,999,934	133,883,601
Net assets-Ending					\$290,633,131	\$131,658,535

See accompanying notes to financial statements

Total	Net (Expense) Revenue and Changes in Net Assets Component Unit Terrace Gardens Inc.
(\$12,895,836)	
495,706	
(12,262,075)	
(2,888,245)	
(3,959,287)	
(20,340,492)	
(13,465,399)	
(9,401,594)	
<u>(74,717,222)</u>	
1,431,526	
759,676	
<u>(2,143,176)</u>	
48,026	
<u>(74,669,196)</u>	
	<u>\$19,358</u>
53,916,578	
15,669,828	
5,549,931	
416,463	
3,151,420	
237,440	
6,008,587	30,015
92,437	
34,643	
<u>85,077,327</u>	<u>30,015</u>
10,408,131	49,373
<u>411,883,535</u>	<u>10,193,799</u>
<u>\$422,291,666</u>	<u>\$10,243,172</u>

CITY OF MILPITAS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General	Housing Reserve	Redevelopment Project	Street Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments available for operations (Note 3)	\$32,285,475	\$22,072,703	\$52,871,208	\$9,942,253	\$20,078,133	\$137,249,772
Restricted investments (Note 3)			19,174,524			19,174,524
Receivables:						
Accounts	1,100,495			66,701	54,288	1,221,484
Due from other governments	1,225,447		458,700	142,814	313,446	2,140,407
Interest	200,319	98,957	459,022	71,122	104,458	933,878
Due from other funds (Note 4)	35,757					35,757
Advances to other funds (Note 4)	25,534,199		4,755,654			30,289,853
Loans receivable (Note 5)		25,512,287			3,446,251	28,958,538
Prepays, materials, supplies and deposits	500,977	3,266	76,609		33,946	614,798
Property held for resale (Note 6)		344,995	6,988,800			7,333,795
Total Assets	\$60,882,669	\$48,032,208	\$84,784,517	\$10,222,890	\$24,030,522	\$227,952,806
LIABILITIES						
Accounts payable	\$1,533,574	\$11,121	\$1,117,150	\$260,742	\$289,634	\$3,212,221
Accrued payroll	2,161,783	6,845	43,394	10,382	15,465	2,237,869
Due to other funds (Note 4)					35,757	35,757
Refundable deposits	1,103,410				18,843	1,122,253
Deferred revenue	5,249,147	25,512,287	340,071		62,318	31,163,823
Advances from other funds (Note 4)			25,534,199		4,755,654	30,289,853
Total Liabilities	10,047,914	25,530,253	27,034,814	271,124	5,177,671	68,061,776
FUND BALANCES						
Fund balances (Note 10)						
Reserved for:						
Encumbrances	585,334	24,264	7,239,524	335,472	5,235,754	13,420,348
Loans					3,446,251	3,446,251
Advances	20,455,191		4,749,161			25,204,352
Prepays, materials, supplies and deposits	505,177	3,266	25,938		33,047	567,428
Property held for resale		344,995	6,988,800			7,333,795
Low and moderate income housing		22,129,430				22,129,430
Unreserved, designated for:						
PERS stabilization	5,432,703					5,432,703
Library and performing arts programs	5,959,479					5,959,479
Uninsured claims payable	2,816,694					2,816,694
Projects, reported in Capital Projects Funds			19,171,470	5,810,959	5,009,064	29,991,493
Change in investment market values reported in:						
General Fund	352,262					352,262
Capital Projects Funds			1,232,974		221,403	1,454,377
Unreserved, undesignated						
Reported in:						
General Fund	14,727,915					14,727,915
Special Revenue Funds					4,604,051	4,604,051
Capital Projects Funds			18,341,836	3,805,335	303,281	22,450,452
TOTAL FUND BALANCES	50,834,755	22,501,955	57,749,703	9,951,766	18,852,851	159,891,030
Total Liabilities and Fund Balances	\$60,882,669	\$48,032,208	\$84,784,517	\$10,222,890	\$24,030,522	

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. 326,917,816

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 Statement of Net Assets. 7,746,313

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. 30,931,366

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:

Long-term debt	(219,311,934)
Interest payable	(2,849,513)
Non-current portion of accrued vacation and sick leave	(9,283,115)
Non-current portion of uninsured claims payable	(3,408,832)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$290,633,131

See accompanying notes to financial statements

CITY OF MILPITAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	General	Housing Reserve	Redevelopment Project	Street Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$17,749,153		\$36,167,427			\$53,916,580
Sales taxes	16,250,920					16,250,920
Other taxes	9,534,846				\$402,038	9,936,884
Licenses and fines	4,618,904					4,618,904
Use of money and property	4,168,631	\$952,015	2,849,006	\$396,411	617,677	8,983,740
Intergovernmental	1,134,214		1,815,940	911,439	2,143,193	6,004,786
Charges for services	4,015,386				130,561	4,145,947
Developer contributions		2,126,000		33,965	398,197	2,558,162
Other	78,386	187,706	124,046		425,695	815,833
Total Revenues	57,550,440	3,265,721	40,956,419	1,341,815	4,117,361	107,231,756
EXPENDITURES						
Current:						
General Government	12,511,954	4,426,775	691,704	99,869	103,997	17,834,299
Building and Safety	2,419,619					2,419,619
Public Works	7,119,961		1,496,509	457,855	991,672	10,065,997
Planning and Neighborhood Services	1,387,467	416,395	414,411		358,073	2,576,346
Parks and Recreation	6,415,690					6,415,690
Police	21,511,608				90,386	21,601,994
Fire	15,278,708					15,278,708
Capital outlay	51,841		17,373,870	3,152,367	1,007,389	21,585,467
Debt service:						
Principal	1,230,000		7,250,810			8,480,810
Interest and fees	26,138		11,483,168		6,493	11,515,799
Total Expenditures	67,952,986	4,843,170	38,710,472	3,710,091	2,558,010	117,774,729
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,402,546)	(1,577,449)	2,245,947	(2,368,276)	1,559,351	(10,542,973)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of property	13,585					13,585
Transfers in (Note 4)	11,115,639	7,876,041	957,041	2,575,266	754,490	23,278,477
Transfers (out) (Note 4)	(1,000,000)	(1,526,403)	(13,790,567)	(145,420)	(2,161,407)	(18,623,797)
Total Other Financing Sources (Uses)	10,129,224	6,349,638	(12,833,526)	2,429,846	(1,406,917)	4,668,265
NET CHANGE IN FUND BALANCES	(273,322)	4,772,189	(10,587,579)	61,570	152,434	(5,874,708)
Fund balances at beginning of period	51,108,077	17,729,766	68,337,282	9,890,196	18,700,417	165,765,738
FUND BALANCES AT END OF PERIOD	\$50,834,755	\$22,501,955	\$57,749,703	\$9,951,766	\$18,852,851	\$159,891,030

See accompanying notes to financial statements

CITY OF MILPITAS
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

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 (\$5,874,708)

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 expenditures are therefore added back to fund balance (Internal service fund additions of \$538,574 have already been added to capital assets)	21,539,030
Retirements are deducted from the fund balance (Internal service fund retirements of \$1,794 have already been deducted from capital assets)	(3,760)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$718,732 which has already been allocated to serviced funds.)	(14,415,763)

LONG TERM DEBT PAYMENTS

Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of principal is added back to fund balance	8,480,810
--	-----------

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):

Non-current portion of accrued vacation and sick leave	384,896
Non-current portion of uninsured claims payable	370,606
Interest payable	68,686
Deferred revenue	2,270,894

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	<u>(187,494)</u>
---	------------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$12,633,197</u></u>
---	----------------------------

See accompanying notes to financial statements

CITY OF MILPITAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$17,048,500	\$17,048,500	\$17,749,153	\$700,653
Sales taxes	16,562,012	16,562,012	16,250,920	(311,092)
Other taxes	11,408,000	11,408,000	9,534,846	(1,873,154)
Licenses and fines	5,788,000	5,779,953	4,618,904	(1,161,049)
Use of money and property	7,291,000	7,291,000	4,168,631	(3,122,369)
Intergovernmental	583,000	1,097,836	1,134,214	36,378
Charges for services	4,166,000	4,166,000	4,015,386	(150,614)
Other	115,000	117,500	78,386	(39,114)
Total Revenues	<u>62,961,512</u>	<u>63,470,801</u>	<u>57,550,440</u>	<u>(5,920,361)</u>
Expenditures				
Current:				
General Government:				
City Manager	2,190,247	2,194,055	2,027,793	166,262
City Attorney	1,014,811	1,015,104	791,339	223,765
Finance	2,776,960	2,791,585	2,669,683	121,902
Information Services	3,015,279	3,023,865	2,926,080	97,785
Human Resources	1,244,707	1,245,695	963,501	282,194
Non-departmental	6,253,733	5,466,192	3,359,613	2,106,579
Building and Safety	2,945,143	2,905,485	2,440,035	465,450
Public Works	7,283,681	7,285,326	7,224,455	60,871
Planning and Neighborhood Services	1,576,784	1,582,314	1,423,876	158,438
Parks and Recreation	6,992,374	7,036,546	6,449,966	586,580
Police	22,434,065	22,475,852	21,528,521	947,331
Fire	14,549,796	15,543,917	15,361,692	182,225
Debt service:				
Principal	1,230,000	1,230,000	1,230,000	
Interest and fees	27,000	27,000	26,138	862
Total Expenditures	<u>73,534,580</u>	<u>73,822,936</u>	<u>68,422,692</u>	<u>5,400,244</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,573,068)</u>	<u>(10,352,135)</u>	<u>(10,872,252)</u>	<u>(520,117)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			13,585	13,585
Transfers in	11,345,583	11,125,583	11,115,639	(9,944)
Transfers (out)	(260,000)	(1,040,000)	(1,000,000)	40,000
Total Other Financing Sources (Uses)	<u>11,085,583</u>	<u>10,085,583</u>	<u>10,129,224</u>	<u>43,641</u>
Net change in fund balance	<u>\$512,515</u>	<u>(\$266,552)</u>	<u>(743,028)</u>	<u>(\$476,476)</u>
Adjustment to budgetary basis:				
Capital outlay			(52,816)	
Encumbrance expenditures			522,522	
Fund balance, July 1			<u>51,108,077</u>	
Fund balance, June 30			<u>\$50,834,755</u>	

See accompanying notes to financial statements

CITY OF MILPITAS
HOUSING RESERVE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	537,000	\$537,000	\$952,015	\$415,015
Developer contributions	850,000	850,000	2,126,000	1,276,000
Other	7,000	7,000	187,706	180,706
Total Revenues	<u>1,394,000</u>	<u>1,394,000</u>	<u>3,265,721</u>	<u>1,871,721</u>
Expenditures				
Current:				
General Government:				
City Manager	74,305	74,305	41,237	33,068
Non-departmental	7,001,080	7,001,080	4,409,802	2,591,278
Planning and Neighborhood Services	440,454	440,377	416,395	23,982
Total Expenditures	<u>7,515,839</u>	<u>7,515,762</u>	<u>4,867,434</u>	<u>2,648,328</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,121,839)</u>	<u>(6,121,762)</u>	<u>(1,601,713)</u>	<u>4,520,049</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	6,341,200	6,341,200	7,876,041	1,534,841
Transfers (out)	(1,164,782)	(1,164,782)	(1,526,403)	(361,621)
Total Other Financing Sources (Uses)	<u>5,176,418</u>	<u>5,176,418</u>	<u>6,349,638</u>	<u>1,173,220</u>
Net change in fund balance	<u>(\$945,421)</u>	<u>(\$945,344)</u>	4,747,925	<u>\$5,693,269</u>
Adjustment to budgetary basis:				
Encumbrance expenditures			24,264	
Fund balance, July 1			<u>17,729,766</u>	
Fund balance, June 30			<u>\$22,501,955</u>	

See accompanying notes to financial statements



CITY OF MILPITAS
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	Business-type Activities-Enterprise Funds			Totals	Governmental Activities- Equipment Management Internal Service Fund
	Water Utility	Recycled Water Utility	Sewer Utility		
ASSETS					
Current Assets					
Cash and investments available for operations (Note 3)	\$18,012,351	\$2,524,565	\$18,339,696	\$38,876,612	\$7,801,390
Restricted cash and investments (Note 3)					
Receivables:					
Accounts	788,383	52,348	541,121	1,381,852	
Due from other governments	4,903		2,865	7,768	
Interest	132,326	21,851	154,128	308,305	58,681
Prepays, materials, supplies and deposits	245,168	1,114	20,470	266,752	105,530
Total current assets	19,183,131	2,599,878	19,058,280	40,841,289	7,965,601
Noncurrent assets:					
Capital assets and capacity rights (Note 8):					
Land and construction in progress	4,915,623		17,984,592	22,900,215	
Depreciable capital assets, net	34,346,397	271,004	43,873,187	78,490,588	3,643,556
Total noncurrent assets	39,262,020	271,004	61,857,779	101,390,803	3,643,556
Total assets	58,445,151	2,870,882	80,916,059	142,232,092	11,609,157
LIABILITIES					
Current liabilities:					
Accounts payable	1,004,752	43,144	109,864	1,157,760	139,351
Accrued payroll	45,789	3,820	26,410	76,019	14,912
Interest payable			55,299	55,299	
Refundable deposits	38,500	83,421		121,921	
Accrued vacation (Note 12)	29,581		29,581	59,162	11,521
Sick leave payable (Note 12)	22,760		22,760	45,520	4,498
Certificates of Participation (Note 9)			355,000	355,000	
Total current liabilities	1,141,382	130,385	598,914	1,870,681	170,282
Non-current liabilities:					
Accrued vacation (Note 12)	59,903		59,903	119,806	36,844
Sick leave payable (Note 12)	61,535		61,535	123,070	12,162
Certificates of Participation (Note 9)			8,460,000	8,460,000	
Total non-current liabilities	121,438		8,581,438	8,702,876	49,006
Total liabilities	1,262,820	130,385	9,180,352	10,573,557	219,288
NET ASSETS (Note 10)					
Invested in capital assets and capacity rights, net of related debt	39,262,020	271,004	53,042,779	92,575,803	3,643,556
Restricted for capital projects	15,595,900		9,315,195	24,911,095	
Unrestricted	2,324,411	2,469,493	9,377,733	14,171,637	7,746,313
Total net assets	\$57,182,331	\$2,740,497	\$71,735,707	\$131,658,535	\$11,389,869

See accompanying notes to financial statements

CITY OF MILPITAS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Governmental Activities- Equipment Management Internal Service Fund
	Water Utility	Recycled Water Utility	Sewer Utility	Totals	
OPERATING REVENUES					
Charges for services	\$13,726,545	\$1,276,193	\$9,727,979	\$24,730,717	\$2,436,936
Other operating revenue	146,468	11,383	121,195	279,046	16,527
Total Operating Revenues	<u>13,873,013</u>	<u>1,287,576</u>	<u>9,849,174</u>	<u>25,009,763</u>	<u>2,453,463</u>
OPERATING EXPENSES					
Purchased water	7,388,767	356,698		7,745,465	
Sewer treatment services			7,877,418	7,877,418	
Personnel services	2,139,175	105,613	1,322,238	3,567,026	735,945
Services and supplies	1,237,731	10,028	618,759	1,866,518	757,398
Depreciation	1,376,544	20,217	2,068,150	3,464,911	718,732
Repairs and maintenance	403,357	83,257	20,375	506,989	412,923
Total Operating Expenses	<u>12,545,574</u>	<u>575,813</u>	<u>11,906,940</u>	<u>25,028,327</u>	<u>2,624,998</u>
Operating Income (Loss)	<u>1,327,439</u>	<u>711,763</u>	<u>(2,057,766)</u>	<u>(18,564)</u>	<u>(171,535)</u>
NONOPERATING REVENUES					
Interest income	777,657	123,619	854,412	1,755,688	336,823
Interest expense			(404,229)	(404,229)	
Subventions and grants		47,913		47,913	
Developer contributions	1,529		12,136	13,665	
Gain on sale of assets					21,058
Total Nonoperating Revenues	<u>779,186</u>	<u>171,532</u>	<u>462,319</u>	<u>1,413,037</u>	<u>357,881</u>
Income (Loss) Before Contributions and Transfers	<u>2,106,625</u>	<u>883,295</u>	<u>(1,595,447)</u>	<u>1,394,473</u>	<u>186,346</u>
Capital contributions			3,760	3,760	252,060
Capital contributions - connection fees	102,558		302,923	405,481	
Transfers in (Note 4)	925,000		17,997	942,997	
Transfers (out) (Note 4)	<u>(1,780,876)</u>	<u>(1,422,323)</u>	<u>(1,768,578)</u>	<u>(4,971,777)</u>	<u>(625,900)</u>
Change in net assets	1,353,307	(539,028)	(3,039,345)	(2,225,066)	(187,494)
Total net assets-beginning	<u>55,829,024</u>	<u>3,279,525</u>	<u>74,775,052</u>	<u>133,883,601</u>	<u>11,577,363</u>
Total net assets-ending	<u>\$57,182,331</u>	<u>\$2,740,497</u>	<u>\$71,735,707</u>	<u>\$131,658,535</u>	<u>\$11,389,869</u>

See accompanying notes to financial statements

CITY OF MILPITAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Governmental Activities- Equipment Management Internal Service Fund
	Water Utility	Recycled Water Utility	Sewer Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$13,991,642	\$1,330,420	\$9,896,761	\$25,218,823	\$2,500,996
Payments to suppliers	(8,893,687)	(491,910)	(9,970,345)	(19,355,942)	(1,095,935)
Payments to employees	(2,129,135)	(104,189)	(1,320,032)	(3,553,356)	(744,441)
Net cash provided by operating activities	<u>2,968,820</u>	<u>734,321</u>	<u>(1,393,616)</u>	<u>2,309,525</u>	<u>660,620</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	925,000		17,997	942,997	
Transfers (out)	(1,780,876)	(1,422,323)	(1,768,578)	(4,971,777)	(625,900)
Cash Flows from Noncapital Financing Activities	<u>(855,876)</u>	<u>(1,422,323)</u>	<u>(1,750,581)</u>	<u>(4,028,780)</u>	<u>(625,900)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Principal paid on long-term debt			(345,000)	(345,000)	
Interest paid			(406,212)	(406,212)	
Proceeds from sale of capital assets					24,646
Acquisition of capital assets	(1,249,169)		(2,853,763)	(4,102,932)	(288,308)
Developer contributions	1,529		12,136	13,665	
Capital contributions - connection fees	102,558		302,923	405,481	
Subventions and grants		47,913		47,913	
Cash Flows from Capital and Related Financing Activities	<u>(1,145,082)</u>	<u>47,913</u>	<u>(3,289,916)</u>	<u>(4,387,085)</u>	<u>(263,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	792,666	130,922	924,928	1,848,516	351,517
Cash Flows from Investing Activities	<u>792,666</u>	<u>130,922</u>	<u>924,928</u>	<u>1,848,516</u>	<u>351,517</u>
Net increase (decrease) in cash and cash equivalents	1,760,528	(509,167)	(5,509,185)	(4,257,824)	122,575
Cash and investments at beginning of period	16,251,823	3,033,732	23,848,881	43,134,436	7,678,815
Cash and investments at end of period	<u>\$18,012,351</u>	<u>\$2,524,565</u>	<u>\$18,339,696</u>	<u>\$38,876,612</u>	<u>\$7,801,390</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$1,327,439	\$711,763	(\$2,057,766)	(\$18,564)	(\$171,535)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,376,544	20,217	2,068,150	3,464,911	718,732
Change in assets and liabilities:					
Receivables, net	148,629	21,256	47,587	217,472	47,533
Materials, supplies and deposits	(13,177)	(627)	967	(12,837)	8,891
Accrued payroll	9,063	1,424	1,229	11,716	
Accounts and other payables	120,322	(19,712)	(1,453,783)	(1,353,173)	56,999
Net cash provided by operating activities	<u>\$2,968,820</u>	<u>\$734,321</u>	<u>(\$1,393,616)</u>	<u>\$2,309,525</u>	<u>\$660,620</u>
NONCASH TRANSACTIONS:					
Contributions and transfers of capital assets, net			<u>\$3,760</u>		<u>\$252,060</u>
Retirement of capital assets, net			<u>\$3,436</u>		<u>\$1,794</u>

See accompanying notes to financial statements



CITY OF MILPITAS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 3)	\$8,064,493
Interest receivable	<u>28,312</u>
Total Assets	<u><u>\$8,092,805</u></u>
LIABILITIES	
Refundable deposits	\$1,720,852
Due to Local Improvement Districts	<u>6,371,953</u>
Total Liabilities	<u><u>\$8,092,805</u></u>

See accompanying notes to financial statements



CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Milpitas was incorporated as a general law city on January 26, 1954. The City operates under the Council-Manager form of government and provides the following services: public safety, police, fire and building inspection; parks and streets; water; sanitation; recreation services; planning and zoning; 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 governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of Milpitas include the activities of the City as well as the Milpitas Redevelopment Agency and the Milpitas Public Financing Authority, both of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

Blended Component Units

The Milpitas Redevelopment Agency is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. 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 financial activities of the Agency are included in the Housing Reserve Special Revenue Fund and the Redevelopment Project Capital Projects.

The Milpitas Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Sewer Utility Enterprise Fund.

Financial statements for the Milpitas Redevelopment Agency may be obtained from the City of Milpitas located at 455 East Calaveras Blvd., Milpitas, CA 95035 or www.ci.milpitas.ca.gov/government/finance. Separate financial statements are not issued for the Public Financing Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit

Terrace Gardens, Inc. is a non-profit public benefit corporation organized in September 1986 for the purpose of developing and managing the operations of a residential complex known as Terrace Gardens, which is located in the City of Milpitas and is dedicated to the needs of elderly persons. The Milpitas Redevelopment Agency funded the construction of Terrace Gardens. City Council can appoint a voting majority of the governing board and approves the annual budget. The City Council exercises control over the Board of Terrace Gardens. Therefore, the financial activities of Terrace Gardens, Inc. as of and for the year ended December 31, 2008 are discretely presented in the Terrace Gardens Inc. Component Unit column of the Statement of Net Assets and the Statement of Activities.

Financial statements for Terrace Gardens, Inc. may be obtained from Terrace Gardens, Inc., 186 Beresford Court, Milpitas, CA 95035.

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 United States of America.

These Standards 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 blended and discretely presented component units. These statements include the financial activities of the overall City government, except for fiduciary activities. 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.

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 franchise fees that are based on gross receipts and all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary*, and *fiduciary*—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.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund *operating* revenues and expenses, such as charges for services and the related costs, 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 and expenses, such as subsidies, investment earnings and any related costs, result from nonexchange transactions or ancillary activities.

C. Major Funds

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 the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are sales taxes, property taxes, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are incurred for public safety, most street work and the other services described above.

Housing Reserve Fund – Established by the Redevelopment Agency of the City of Milpitas to account for tax allocations set aside for the purpose of increasing or improving the City’s supply of low or moderate – income housing.

Redevelopment Project Fund – Established to account for the financing and construction activities in the redevelopment project areas.

Street Improvement Fund – Established to account for the construction and maintenance of the street system in Milpitas. Financing is provided through State and Federal grants.

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

Water Utility Fund – Accounts for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, billing and collection.

Recycled Water Utility Fund - Accounts for the provision of recycled water services to businesses within the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, billing and collection.

Sewer Utility Fund – Accounts for the provision of sewer services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing, and billing and collection.

The City also reports the following fund types:

Internal Service Fund – The Equipment Management Internal Service Fund is used to finance and account for the replacement of equipment used by City departments on a cost reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary 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.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property 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.

Other revenues susceptible to accrual are sales taxes and interest revenue. Forfeitures, licenses, permits and miscellaneous revenue are not susceptible to accrual because they are not measurable until received in cash. Grant funding received in advance of the related expenditure is accounted for as deferred revenue.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain 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 unrestricted resources if necessary.

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 forty-five 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 accumulated unpaid vacation, sick pay and other employee benefit amounts, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

E. Materials and Supplies

Supplies are valued at cost on a first-in first-out basis. Supplies in the enterprise and internal funds consist principally of materials and supplies for utility and internal operations and are expensed as consumed. Inventories of the governmental funds consist of expendable supplies and materials held for consumption. The cost is recorded as an expenditure in the funds at the time individual inventory items are consumed. Reported governmental fund inventories are equally offset by fund balance reserves which indicate that they do not constitute available spendable resources even though they are a component of net current assets.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. *Property Tax*

Santa Clara County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

G. *Revenue Recognition for Water Utility, Recycled Water Utility and Sewer Utility*

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 not material and are not accrued.

H. *New Funds*

The Community Facilities District Special Revenue Fund was established to account for assessment collected within the District. Revenue is used for providing City services to the District.

The Transit Area Development Impact Fee Program Capital Projects Fund was established to account for capital expenditures in the Transit Area. The Transit Area Specific Plan was adopted in June 2008 with the goal of redeveloping the area in the southern boundary of the City. A special transit area impact fee is imposed on developments to provide financing.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgets and Budgetary Accounting*

The City adopts an annual operating budget on or before June 30 of the previous fiscal year. The operating budget takes the form of a one year financial plan which is adopted in its entirety by the City Council by resolution. Because Milpitas is a general law city, it is not subject to a budgetary process prescribed by statute or charter.

The operating budget is subject to supplemental appropriations throughout its term in order to provide flexibility to meet changing needs and conditions. The City Manager may approve supplemental appropriations in the General Fund providing the total increase does not exceed 1% of the original total General Fund budget. All additional appropriations that require the use of reserves must be approved by City Council. Expenditures cannot exceed the appropriated budget at the department level without City Council approval.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Adjustments to GAAP Basis from Budgetary Basis

City budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are considered budgetary expenditures in the year of the commitment to purchase, and capital projects expenditures in the General Fund and the Park Improvement, General Government Project, Storm Drain Development and Transit Area Impact Fee Capital Projects Funds are budgeted on a project length basis rather than a fiscal year. The effects of these differences are shown as encumbrance adjustments, expenditures capitalized for GAAP purposes and capital outlay in the budget and actual statements.

NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees and Terrace Gardens, Inc. so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

The City invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

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.

Restricted Cash and Investments -Time certificates of deposit are restricted as to use by agreements that name other parties as beneficiaries and that require the interest on certain certificates to be credited to the parties who provided the funds. None of these certificates may be redeemed until the City has met the terms of its agreements with these parties; on redemption the proceeds of certain certificates must be paid by the City to the beneficiary parties.

Other restricted cash and investments may be used only for capital projects by the Redevelopment Agency.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or Agency agreements.

Cash and investments available for operations	\$183,927,774
Restricted investments	19,174,524
Total Primary Government cash and investments	203,102,298
Cash and investments available for operations	24,396
Restricted investments	962,222
Total Component Unit cash and investments	986,618
Cash and investments	
in Fiduciary Funds (separate statement)	8,064,493
Total cash and investments	\$212,153,409

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	1 Year		100%	No Limit
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand		No Limit	\$40,000,000 per account
U. S. Treasury Bonds, Notes and Bills	5 Years		100%	No Limit
U.S. Government Agency Obligations	5 Years		100%	No Limit
Bankers Acceptances	180 Days		20%	\$5 million or 10%
Commercial Paper	270 Days	A1/P1	15%	(A)
Negotiable Certificates of Deposit	2 Years		30%	No Limit
Time Certificates of Deposit – Banks or Savings and Loans	2 Years		10%	No Limit
Medium Term Corporate Notes	5 Years	AA	30%	(A)
Money Market and Mutual Funds of Government Securities	Upon Demand	Top Rating Category	20%	10%
Security Swaps	N/A		No Limit	No Limit

(A) Eligible Commercial Paper and Medium Term Corporate Notes combined may not represent more than 10% of the outstanding paper of an issuing corporation.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Investments Authorized 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 resolutions, bond indentures or State statutes. The table below 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	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 Years		100%	No Limit
U.S. Government Agency Obligations	5 Years		100%	No Limit
Time Certificates of Deposit – Banks or Savings and Loans	1-2 Years		10%	No Limit
Bankers Acceptances	180 Days	A	20%	\$5,000,000 or 10%
Commercial Paper	270 Days	AA, A1	15%	(A)
Negotiable Certificates of Deposit	2 Years		30%	No Limit
Repurchase Agreements	1 Year		100%	No Limit
Medium Term Corporate Notes	5 Years	AA	30%	(A)
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand		No Limit	\$40,000,000 per account
Money Market and Mutual Funds	Upon Demand	Aaa/AAm	20%	10%
California Asset Management Program (CAMP)	Upon Demand		No Limit	No Limit

(A) The combined total of commercial paper and medium term corporate notes may not represent more than 10% of the outstanding paper and notes of an issuing corporation.

E. Investments Authorized for Terrace Gardens Inc.

Terrace Gardens, Inc. investments conform with the California Government Code.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 24 Months	25 to 60 Months	More than 60 Months	Total
<i>City:</i>					
U.S. Government Agency Issues	\$27,605,321	\$19,864,691	\$28,836,565	\$60,840	\$76,367,417
Corporate Notes	6,070,440	8,175,311	1,033,986		15,279,737
U.S. Treasury Notes			5,462,189		5,462,189
California Local Agency Investment Fund	110,078,231				110,078,231
Mutual Funds (U.S. Securities)	3,091,612				3,091,612
<i>Terrace Gardens, Inc.:</i>					
Certificates of Deposit	836,004				836,004
Total Investments	<u>\$147,681,608</u>	<u>\$28,040,002</u>	<u>\$35,332,740</u>	<u>\$60,840</u>	211,115,190
<i>Demand Deposits - City of Milpitas</i>					887,605
<i>Demand Deposits - Terrace Gardens</i>					150,614
Total Cash and Investments					<u>\$212,153,409</u>

The City is a 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, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and 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 obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2009 these investments matured in an average of 235 days.

Mutual funds are available for withdrawal on demand and at June 30, 2009 matured in an average of 44 days.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 3 - CASH AND INVESTMENTS (Continued)

G. 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 actual rating as of June 30, 2009 for each of the Primary Government's investment types as provided by Standard and Poor's investment rating system:

Investment Type	AAA	AA+/AA/AA-/A	Total
U.S. Government Agency Issues	\$76,367,417		\$76,367,417
Corporate Notes		\$15,279,737	15,279,737
Mutual Funds (U.S. Securities)	3,091,612		3,091,612
Totals	\$79,459,029	\$15,279,737	94,738,766
<i>Not rated:</i>			
California Local Agency Investment Fund			110,078,231
<i>Exempt from credit rate disclosure:</i>			
U.S. Treasury Notes			5,462,189
Total Investments			\$210,279,186

Terrace Gardens, Inc. invests only in Time Certificates of Deposit. At June 30, 2009, all of Terrace Gardens' Time Certificate of Deposits were fully insured by Federal Deposit Insurance.

H. Significant Investments

Investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds and the California Local Agency Investment Fund, that represent 5% or more of total Entity-wide investments are as follows at June 30, 2009:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal agency securities	\$44,936,884
Federal Farm Credit Bank	Federal agency securities	28,290,004

Investments in the securities of any individual issuers, other than U.S. Treasury securities, mutual funds and the California Local Agency Investment Fund, that represent 5% or more of Non-Major Governmental Funds were as follows at June 30, 2009:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal agency securities	\$1,620,507

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS

A. Transfers Between Funds

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Housing Reserve Special Revenue Fund	\$1,164,782 (A)
	Redevelopment Project Capital Projects Fund	5,480,504 (A)
	Solid Waste Reduction and Services Special Revenue Fund	254,462 (A)
	Hetch-Hetchy Ground Lease Special Revenue Fund	3,158 (A)
	General Government Project Capital Projects Fund	30,056 (B)
	Water Utility Enterprise Fund	1,780,876 (A)
	Recycled Water Utility Enterprise Fund	167,323 (A)
	Sewer Utility Enterprise Fund	1,768,578 (A)
	Equipment Management Internal Service Fund	465,900 (B)
Special Revenue Funds:		
Housing Reserve	Redevelopment Project Capital Projects Fund	7,876,041 (C)
Public Art	Redevelopment Project Capital Projects Fund	394,490 (D)
Capital Projects Funds:		
Redevelopment Project	Housing Reserve Special Revenue Fund	361,621 (A)
Redevelopment Project	Street Improvement Capital Projects Fund	145,000 (E)
Redevelopment Project	Street Improvement Capital Projects Fund	420 (B)
Redevelopment Project	Park Improvement Capital Projects Fund	200,000 (E)
Redevelopment Project	Storm Drain Development Capital Projects Fund	250,000 (E)
Street Improvement	General Fund	1,000,000 (E)
Street Improvement	Gas Tax Special Revenue Fund	1,200,000 (E)
Street Improvement	Redevelopment Project Capital Projects Fund	21,535 (E)
Street Improvement	General Government Project Capital Projects Fund	23,731 (B)
Street Improvement	Recycled Water Utility Enterprise Fund	330,000 (E)
General Government Project	Solid Waste Reduction Services Special Revenue Fund	200,000 (E)
General Government Project	Equipment Management Internal Service Fund	160,000 (E)
Enterprise Funds:		
Water Utility	Recycled Water Utility Enterprise Fund	925,000 (E)
Sewer Utility	Redevelopment Project Capital Projects Fund	17,997 (E)
Total Interfund Transfers		\$24,221,474

The reasons for these transfers are set forth below:

- (A) Reimbursement of costs incurred
- (B) Return of unused capital projects funds or equipment replacement funds
- (C) State-required set-aside of Low and Moderate Income Housing portion of property tax increment
- (D) Transfer to fund public art project
- (E) Transfer of capital projects amounts

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. Long-Term Interfund Advances

On September 7, 2004, the Agency entered into an Agreement with the City for the purchase of eight parcels of land which are located in the Project Area. However, the terms of the purchase were not finalized until August 21, 2007 under the First Amendment to Agreement of Purchase and Sale. Under the terms of the Amended Agreement, the purchase price of the parcels is \$20,455,191. The advance from the General Fund to the Redevelopment Project Capital Projects Fund is due on September 7, 2044 and bears simple interest of 10% annually. At June 30, 2009 the balance of the advance including principal and accrued interest was \$25,534,199.

On May 6, 2008, the City approved the purchase of 0.75 million gallons per day wastewater treatment capacity at the San Jose/Santa Clara Sanitary District via a purchase from the Cupertino Sanitary District (CuSD). The capacity is for build-out of the Transit Area Specific Plan. Funding for this purchase was included in the Transit Area Development Impact Fee Program. The Transit Area Impact Fee Capital Projects Fund does not have funding available since fees have not yet been collected. Therefore, the Redevelopment Project Capital Projects Fund advanced \$4,549,161 to the Transit Area Impact Fee Capital Projects Fund to cover the payment to CuSD and \$200,000 to cover other associated costs. The advances are due on April 7, 2029 and bear simple interest of 5% annually. At June 30, 2009 the balance of the advance including principal and accrued interest was \$4,755,654.

C. 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, 2009, the Housing and Community Development Special Revenue Fund owed the General Fund \$35,757.

NOTE 5 - LOANS RECEIVABLE

The City and Redevelopment Agency entered into the loan programs below to improve the quality of housing and to increase the availability of affordable housing. These loans were comprised of the following at June 30, 2009:

Rehabilitation Loans	\$3,446,251
Milpitas Housing Associates	4,265,201
Parc Metropolitan Housing Development	379,127
Montague Parkway Associates, LP	1,127,123
Parc North Associates LLC	1,974,000
Mid-Peninsula Milpitas Affordable Housing Associates	15,196,836
KB Home South Bay Inc.	1,800,000
Western Pacific Housing Inc.	770,000
Total Loans Receivable	<u>\$28,958,538</u>

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 5 - LOANS RECEIVABLE (Continued)

A. *Rehabilitation Loans*

The City administers a housing rehabilitation program using Housing and Community Development Act funds. Under the Program, individuals with incomes below a certain level are eligible to receive low or no interest loans, secured by deeds of trust, for construction work on their homes. At June 30, 2009 the City had outstanding rehabilitation loans of \$3,446,251 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2009, the City received \$114,218 from all participants, and made new loans totaling \$480,191.

B. *Milpitas Housing Associates Loan*

In fiscal 1997, the Redevelopment Agency loaned the Milpitas Housing Associates, a partnership of Bridge Housing and a developer, \$3,000,000 to assist in the financing of the construction of a 306 unit apartment complex. Fifty percent of the units were made available to very low and low income tenants. The Loan bears interest at the rate of 5.45% per year, compounded annually and is repayable in 2040, subject to certain conditions. The loan is secured by a subordinated deed of trust in the third position on the property. During the fiscal year, the City received a payment of \$101,523 and as of June 30, 2009, principal and accrued interest totaled \$4,265,201.

C. *Parc Metropolitan Housing Development Loans*

The Redevelopment Agency provides loans to eligible low-income families for the purchase of townhome units at the Parc Metropolitan Housing Development. During the fiscal year, the Agency received principal payments of \$152,986 and made new loans totaling \$50,000, and as of June 30, 2009, there were \$379,127 in loans outstanding.

D. *Montague Parkway Associates, LP*

The Redevelopment Agency loaned the Montague Parkway Associates, LP, a California limited partnership, \$1,193,580 in fiscal 2001 to develop 464 units of rental multi-family housing. Ninety-four of the units were made available to low income households. The loan bears interest at the rate of 3.00% per year, compounded annually. The principal and all accrued interest are due and payable in 2031. For the first five years, only interest is due and payable; principal payments commence on the sixth year and continue for the remainder of the term. The loan is secured by a third deed of trust on the property. Principal of \$33,719 was paid in fiscal 2009. As of June 30, 2009, the outstanding balance totaled \$1,127,123.

E. *Parc North Associates LLC Loan*

In September 2003, the Agency entered into an Owner Participation Agreement with Parc North Associates LLC for the development of 285 town homes and condominiums. Eighteen of the units were made available to very low income households, six of the units were made available to low income households, and thirty-four units were made available to moderate income households. In exchange, the Agency provided a grant of \$1,823,480 to the Developer for permits, fees, and infrastructure, along with silent-second loans to eligible low-income families for the purchase of these town homes and condominium. Interest of 5% begins on the 61st month after the recordation of the deeds of trust and continues until the loans are paid in full. As of June 30, 2009, there were \$1,974,000 of such loans outstanding.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 5 - LOANS RECEIVABLE (Continued)

F. *Mid-Peninsula Milpitas Affordable Housing Associates*

In December 2005, the Agency entered into a Disposition and Development Agreement with Mid Peninsula Milpitas Affordable Housing Associates for the development of a 103-unit senior housing project with long-term affordability to extremely low and very low income seniors. Under the terms of the Agreement, the Agency provided a grant of \$1 million to the Developer and will provide a development loan up to \$14.6 million to the Developer. No interest is accrued on the first \$5 million of loan proceeds. The remaining \$9.6 million bears simple interest of 3.00% annually. Repayment of interest and principal is payable from surplus operating cash subject to certain conditions as defined in the Agreement, and unpaid principal and accrued interest is due in December 2062. The loan is secured by second deed of trust on the property. Construction began in fiscal year 2006 and the Developer drew down \$802,070 of the loan during fiscal year 2009, and interest of \$271,585 was accrued. As of June 30, 2009, principal and accrued interest outstanding totaled \$15,196,836.

G. *KB Home South Bay Inc Loans*

In January 2005, the Agency entered into a Disposition and Development Agreement with KB Home South Bay Inc. for the development of a public park and approximately 700 housing units on the two parcels (Parcels C and D). In addition, the Agency would provide a total of \$4,250,000 of silent-second mortgages to eighty-five moderate income households on Parcel C, approximately \$5,000,000 of subsidies to twenty-five moderate income households on Parcel D. The silent-second mortgages are not due for 45 years or upon the sale, renting or leasing of the property. Interest begins on the 37th month after the recordation of the Deed of Trust and continues until the loans are paid in full.

Due to the current housing market and stricter lending requirements which have created unforeseen challenges in finding qualified buyers for the affordable units, the Agency amended the Agreement in February 2009 to establish an in-lieu housing payment of \$1,702,000 to remove the affordable restrictions on 46 of the 67 remaining unsold affordable units (\$37,000 for each unit). This amount will be paid in equal parts to the Agency and to the County. In addition, the commitment for silent-second mortgages was reduced \$2,300,000 to \$1,950,000, and the total number of affordable units was reduced from 110 to 64.

As of June 30, 2009, there were \$1,800,000 of loans to Parcel C households outstanding. As of June 30, 2009 the Agency had provided subsidies totaling \$4,707,542.

H. *Western Pacific Housing Inc., Loans*

In August 2005, the Agency entered into an Owner Participation Agreement with Fairfield Development, LLC for the development of a 464- unit residential apartment project, of which 93 units will be deed-restricted for very low- to moderate- income households. In November 2005, the project was purchased by Western Pacific Housing Inc. and obligations of the Owner Participation Agreement were assigned to Western Pacific Housing Inc. The Agency will provide a grant of \$379,480 for permits, fees, and infrastructure. The Agency also will provide a total of \$770,000 for silent-second down payment assistance loans for the 22 very-low income units. The loans are not due for 25 years or upon the sale, renting or leasing of the property. Interest will begin on the 61st month after the recordation of the Deed of Trust and continues until the loans are paid in full. As of June 30, 2009, there were \$770,000 of such loans outstanding.

In August 2008 the Owner Participation Agreement was amended to reduce the number of units to be constructed by Western Pacific Housing Inc. to 137 and provide for the conversion of 7 of the moderate income units to low income units. In addition, in August 2008 the 327 unconstructed units of the project were sold to Lyon Milpitas LLC and the Agency entered into a new Owner Participation Agreement with Lyon Milpitas LLC to complete the construction of the deed-restricted very low- to moderate-income households.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 6 - PROPERTY HELD FOR RESALE OR REDEVELOPMENT

In August 2000 the Agency purchased land from the Santa Clara Valley Transportation Authority in the amount of \$6,988,800 which is being held for future development projects in the Redevelopment Project Capital Projects Fund.

In May 2009 the Agency purchased a housing unit for \$344,995 in the Parc Place Subdivision in order to retain the unit as an affordable housing unit. The unit is being held for future resale in the Housing Reserve Special Revenue Fund.

NOTE 7 - DEVELOPMENT AGREEMENTS

The City and Redevelopment Agency have entered into the development agreements below in an effort to provide incentives to develop new businesses, new tax revenues and affordable housing.

A. *The Crossing at Montague*

In November 1999, the City approved the development of a 468 unit apartment complex, known as the Crossing at Montague Project (Project). As part of the conditions of approval, the developer of the Project is required to restrict 20% (94 units) of the units to very low income households. On behalf of the developer, the City issued \$45,000,000 in tax exempt bonds and \$15,000,000 in taxable bonds in June 2000. As of June 30, 2009, the outstanding principal of the debt was \$7,000,000. The debt service payments on these bonds are solely the responsibility of the developer.

B. *Shapell Industries*

In June 2004, the Agency entered into an Agreement with Shapell Industries of Northern California for the development of a 65-unit townhome development, which will include twenty deed-restricted affordable housing units for very low- and moderate-income units. In August 2005 the Agency entered into an Owner Participation Agreement with the Developer that, in exchange for the development of housing units, the Agency will provide a total of \$800,000 silent-second mortgages to sixteen moderate-income households. In addition, under the terms of the Agreement, the Agency assisted in the rehabilitation of four existing very low-income units in fiscal 2006. At June 30, 2009, the Agency had not expended any funds on the silent second loans.

C. *Apton Properties LLC*

In September 2004, the Agency entered into an Owner Participation Agreement with Apton Properties, LLC for the development of a mixed-use project that will include commercial retail and a 93-unit condominium complex, of which nineteen units will be deed-restricted for very low- to moderate- income households. The Owner Participation Agreement was amended in June 2008 to change the deed-restricted units to 12 extremely low-income units, 43 very low-income units, and 38 market rate units. In exchange, the Agency will provide a grant of \$852,560 and a \$378,000 developer loan upon completion of the fifty-five affordable housing units. As of June 30, 2009, the Agency had not expended any funds on the grant or developer loan.

D. *Installment Purchase Agreement*

The Redevelopment Agency agreed to purchase two parcels of land comprising thirty-five acres surrounding the County Correctional Facility for \$57,750,000 in cash and \$135,000,000 payable over eighteen years at no interest, under the Installment Purchase Agreement discussed in Note 9.

The Agency also agreed to re-sell this land to developers for a total of \$57,750,000, of which \$40,000,000 was received in fiscal 2005 and the remainder was received on the close of escrow on the second parcel in fiscal 2006. The Agency's intent in purchasing this land was to simultaneously re-sell it for development.

NOTE 7 - DEVELOPMENT AGREEMENTS (Continued)

In addition, starting in 2024 the Agency is required to pay the County the greater of \$2,000,000 or 50% of the sales tax revenue arising out of sales originating on certain properties that are part of this land, but not to exceed \$5,000,000 annually, until the earlier of either June 30, 2038, the date that tax increment revenue allocated to the Agency has reached its limit; or the termination of the Redevelopment Plan.

E. *Western Pacific Housing, Inc.*

In September 2006, the Agency entered into an Owner Participation Agreement with Western Pacific Housing, Inc. for the development of a 147-unit townhome project that includes nine units deed-restricted to very low income residents and twenty units deed-restricted to moderate income residents. The Agency will provide silent-second loans of \$133,333 to each of the very low income households. As of June 30, 2009, the Agency had not expended any funds on the silent-second loans.

F. *County of Santa Clara*

In August 2006, the Agency entered into a Disposition and Development Agreement with the County of Santa Clara to construct a health center and a public parking garage. Under the terms of the Agreement, the Agency sold a parcel of land to the County for the construction of the health center for \$1,862,360. In addition, the Agency entered into a Ground Lease Agreement to lease a parcel of land to the County for 75 years for constructing and operating a public parking garage adjacent to the health center site. The Agency will construct certain public off-site improvements in the area, including underground utilities, roadway improvements and streetscape improvements.

G. *MIL Aspen Associates, Ltd.*

In April 2007, the Agency entered into an Owner Participation Agreement with MIL Aspen Associates, Ltd. for the development of a 101-unit multi-family project, of which 100 units will be deed-restricted for very low-income households. The Agency will provide a \$2,300,000 loan to the Developer. As of June 30, 2009, the Agency had not expended any funds on the loan.

NOTE 8 - 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's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

The City has recorded all its public domain (infrastructure) capital assets, which include landscape, storm, street, and traffic systems.

All capital assets with limited useful lives are required to be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years is reported on the balance sheet as a reduction in the book value of capital assets.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (Continued)

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 general capitalization threshold is \$5,000. The City has assigned the useful lives below to capital assets:

	Useful Lives Years
Buildings and improvements	30
Other improvements	20
Machinery and equipment	10
Landscape system	50
Storm system	15-25
Street system	25
Traffic system	20
Water system	30-61
Sewer system	50
Capacity rights	32

Terrace Gardens, Inc. has assigned the following useful lives to its capital assets: Buildings, 50 years; Building improvements, 10-50 years; and Equipment, 5-7 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 MILPITAS
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (Continued)

A. Governmental Capital Asset Additions, Retirements and Balances

	Balance at June 30, 2008	Additions	Retirements	Transfers	Balance at June 30, 2009
Capital assets not being depreciated:					
Land	\$57,022,713	\$481,453			\$57,504,166
Construction in progress	81,839,646	17,892,242	(\$3,760)	(\$12,158,696)	87,569,432
Total capital assets not being depreciated	<u>138,862,359</u>	<u>18,373,695</u>	<u>(3,760)</u>	<u>(12,158,696)</u>	<u>145,073,598</u>
Capital assets being depreciated:					
Buildings and improvements	93,360,729	12,968			93,373,697
Other improvements	22,814,975				22,814,975
Machinery and equipment	19,998,549	538,574	(429,833)	12,158,696	32,265,986
Landscape system	29,633,961				29,633,961
Storm system	72,797,713	143			72,797,856
Street system	207,282,453	3,120,702			210,403,155
Traffic system	16,611,175	31,522			16,642,697
Total capital assets being depreciated	<u>462,499,555</u>	<u>3,703,909</u>	<u>(429,833)</u>	<u>12,158,696</u>	<u>477,932,327</u>
Less accumulated depreciation for:					
Buildings and improvements	(28,948,573)	(3,585,994)			(32,534,567)
Other improvements	(12,370,273)	(1,020,341)			(13,390,614)
Machinery and equipment	(14,636,803)	(1,936,044)	428,039		(16,144,808)
Landscape system	(8,746,877)	(593,775)			(9,340,652)
Storm system	(65,630,854)	(864,161)			(66,495,015)
Street system	(142,856,350)	(6,489,156)			(149,345,506)
Traffic system	(8,191,923)	(645,024)			(8,836,947)
Total accumulated depreciation	<u>(281,381,653)</u>	<u>(15,134,495)</u>	<u>428,039</u>		<u>(296,088,109)</u>
Net capital assets being depreciated	<u>181,117,902</u>	<u>(11,430,586)</u>	<u>(1,794)</u>	<u>12,158,696</u>	<u>181,844,218</u>
Governmental activity capital assets, net	<u>\$319,980,261</u>	<u>\$6,943,109</u>	<u>(\$5,554)</u>		<u>\$326,917,816</u>

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (Continued)

Governmental activities construction in progress comprised the following at June 30, 2009:

Project	Total Budget	Actual Expenditures	Unexpended Budget
Public Works Yard Parking Lot Expansion	\$250,000	\$249,938	\$62
Community Center Renovations	460,000	417,958	42,042
Storm Water Pump Station Improvement	435,000	102,552	332,448
Radio Replacement Plan	1,083,245	1,025,513	57,732
Information Management System	700,000	695,705	4,295
Miscellaneous City Building Improvement Projects	876,866	813,894	62,972
Berryessa Pump Station Improvements	1,800,000	1,261,696	538,304
Oakcreek Pump Station Improvement	337,000	241,679	95,321
Milpitas Library Offsite Utility Improvements	6,024,910	6,006,266	18,644
Land Acquisition, Abatement & Site Preparation for Midtown Parking Garage East	4,500,000	2,370,915	2,129,085
Calaveras/Abel Dual Left Turn Lanes	373,500	129,061	244,439
Abel Street Midtown Improvements	1,510,510	1,380,333	130,177
Sports Center Large Gym Improvement	1,400,000	856,143	543,857
Midtown Parking Garage East	12,500,000	11,876,619	623,381
Library Project	39,000,000	36,461,996	2,538,004
Bart Extension Coordination & Plan	425,000	392,524	32,476
Main Street Midtown Improvement	8,033,750	7,222,433	811,317
Curtis Avenue Improvements	490,000	481,954	8,046
N Main Street EIR Mitigation	700,000	623,650	76,350
Public Works Security	100,000	93,956	6,044
Range Lead Containment	250,000	157,945	92,055
Senior Center	14,707,400	2,914,242	11,793,158
Transit Area Specific Plan	1,372,697	863,156	509,541
City Building Improvement	820,000	201,098	618,902
Corporation Yard Canopies	680,000	620,556	59,444
Public Art Renovations	25,000	16,348	8,652
Carlos Street and Calaveras Blvd Ramp Conversion Study	250,000	250,000	
Storm Pump Station Improvement	150,000	2,658	147,342
Library Art	390,000	165,639	224,361
Green Facility Improvement	50,000	7,605	42,395
Park Master Plan Improvement	250,000	13,601	236,399
Singley Area Phase 5	1,098,100	1,097,408	692
Street Resurfacing Project	2,706,000	1,018,203	1,687,797
Carlo Street Ramp	1,500,000	5,780	1,494,220
Alviso Adobe Renovation	2,470,879	1,003,792	1,467,087
Ball Park Fence Field Extension	375,000	213,231	161,769
Berryessa Creek Trail, Reach 3	1,015,000	999,495	15,505
Penitencia Creek Trail Feasibility Study	40,000	292	39,708
Berryessa Creek Trail, Reach 4	25,000	2,841	22,159
Park Renovation Project 2007	104,500	63,471	41,029
Park Master Plan	225,000	169,558	55,442
Berryessa Creek Trail, Reach 6A	10,000	2,684	7,316
Electrical Cabinet Upgrade	100,000	382	99,618
Park Irrigation System Rehabilitation	400,000	178,100	221,900
Calle Oriente Park	80,000	69,571	10,429
Cardoza Park Playground	175,000	5,895	169,105
Park Renovation Project	25,000	15,978	9,022
Misc Minor Storm Drain Projects	455,000	437,796	17,204
Public Cable Access Facility	490,000	460,209	29,791
On-line Development System	675,000	673,475	1,525
2009 Finance System Upgrade	125,000		125,000
Solid Waste Master Plan	200,000		200,000
Storm Drain System	300,000	16,572	283,428
Terra Serena Homes Infrastructure	4,530,858	3,217,066	1,313,792
Total construction in progress	\$117,070,215	\$87,569,432	\$29,500,783

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Capital Asset Additions, Retirements and Balances

	Balance at June 30, 2008	Additions	Retirement	Transfers	Balance at June 30, 2009
Capital assets not being depreciated:					
Land	\$1,133,079				\$1,133,079
Construction in progress	18,139,828	\$4,106,370	(\$3,436)	(\$475,626)	21,767,136
Total capital assets not being depreciated	19,272,907	4,106,370	(3,436)	(475,626)	22,900,215
Capital assets being depreciated:					
Distribution facilities	67,261,796				67,261,796
Service lines	10,426,003			475,626	10,901,629
Sewer lines	58,310,712	3,758			58,314,470
Capacity rights	30,766,096				30,766,096
Total capital assets being depreciated	166,764,607	3,758		475,626	167,243,991
Less accumulated depreciation for:					
Distribution facilities	(38,070,547)	(1,170,765)			(39,241,312)
Service lines	(4,078,715)	(225,996)			(4,304,711)
Sewer lines	(34,708,507)	(1,132,476)			(35,840,983)
Capacity rights	(8,430,723)	(935,674)			(9,366,397)
Total accumulated depreciation	(85,288,492)	(3,464,911)			(88,753,403)
Net capital assets being depreciated	81,476,115	(3,461,153)		475,626	78,490,588
Business-type activity capital assets, net	\$100,749,022	\$645,217	(\$3,436)		\$101,390,803

Business-type activities construction in progress comprised the following at June 30, 2009:

Project	Total Budget	Actual Expenditures	Unexpended Budget
Sewer I/I Structure	\$3,847,027	\$3,610,400	\$236,627
Main SPS Site Improvements	2,750,000	2,013,402	736,598
Venus Pump Station	602,000	482,492	119,508
Main Sewage Pump Station Improvement	13,243,025	11,808,177	1,434,848
Sewer Master Plan 2009	105,000	67,769	37,231
Sewer System Replacement 08-09	700,000	852	699,148
Pressure Reducing Valve Replacement	220,000	36,427	183,573
Well Upgrade Program	3,045,000	1,656,341	1,388,659
Los Coches Water Valve Replacement	84,100	70,348	13,752
Water System Air Relief Valve	680,000	242,869	437,131
South Milpitas Water Line Replacement	440,000	393,792	46,208
Gibraltar Reservoir & Pump Station	9,025,000	1,306,819	7,718,181
Ayer Reservoir & Pump Station Improvements	100,000	12,579	87,421
Minor Water Projects 2007	125,000	43,153	81,847
Recycled Water Site Improvements	300,000	11,170	288,830
Water System Replacement 08-09	700,000	10,546	689,454
Total construction in progress	\$35,966,152	\$21,767,136	\$14,199,016

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (Continued)

C. Terrace Gardens, Inc.'s Capital Assets

The following is a summary of Terrace Gardens Inc's changes in capital assets for the fiscal year ended June 30, 2009:

	Balance December 31, 2007	Additions	Balance December 31, 2008
Capital assets not being depreciated:			
Land	\$1,565,277		\$1,565,277
Capital assets being depreciated:			
Buildings	12,082,138	\$254,935	12,337,073
Furniture	217,149		217,149
Office equipment	60,710		60,710
Improvements	200,423		200,423
Total capital assets being depreciated	12,560,420	254,935	12,815,355
Less accumulated depreciation	(4,696,924)	(262,866)	(4,959,790)
Net capital assets being depreciated	7,863,496	(7,931)	7,855,565
Total capital assets, net	\$9,428,773	(\$7,931)	\$9,420,842

D. 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	\$3,067,525
Public Works	9,522,467
Parks and Recreation	759,749
Police	692,922
Fire	373,100
Internal Service Fund	718,732
Total Governmental Activities	\$15,134,495
Business-Type Activities	
Water Utility	\$1,376,544
Recycled Water Utility	20,217
Sewer Utility	2,068,150
Total Business-Type Activities	\$3,464,911
Discretely Presented Component Unit:	
Terrace Gardens, Inc.	\$262,866

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 8 - CAPITAL ASSETS (Continued)

E. Sewer Treatment Capacity Rights

The City has a contract with the San Jose/Santa Clara Wastewater Treatment Plant, known as the Water Pollution Control Plant (WPCP), which gives Milpitas and other tributary agencies rights to a percentage of the capacity of their sewage treatment facilities. The contract terminates in 2031 and requires the City to pay its share of operations, capital expenses and debt service on the treatment plant. The City also pays capital costs based on allocated flow capacity rights of 13.5 million gallons per day or about 8.1% of the total plant capacity. The City has capitalized its share in the amount of \$16,147,535. The operation and maintenance costs are calculated based upon actual sewage flow and strengths. In fiscal year 2009 the City's operation and maintenance share was approximately 6.43% of the total WPCP operations.

Under a plan approved by the Regional Water Resources Control Board, the City is responsible for approximately 8.1% of the costs to be incurred by the WPCP to mitigate damage to an endangered species habitat. Approved in 1995, the South Bay Water Recycling Program (SBWRP) consisted of constructing a water recycling distribution system that would reduce the volume of wastewater discharged into the San Francisco Bay by the treatment plant. This Program was estimated to cost a total of \$140 million for Phase I and \$100 million for Phase II, of which the City's share will approximate 8.1%. At June 30, 2007, Phase I and Phase II construction for Milpitas' infrastructure was completed and the City capitalized its' share of the Program in the amount of \$14,618,561.

NOTE 9 - 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.

A. Current Year Transactions and Balances

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

	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
Governmental Activity Debt:				
2003 Redevelopment Agency Tax Allocation Bonds				
2%-5.25%, due September 1, 2032	\$183,175,000	\$3,960,000	\$179,215,000	\$5,035,000
Technology Certificates of Participation, Series 2000				
4% - 4.25%, due November 1, 2008	1,230,000	1,230,000		
Installment Purchase Agreement with the County of Santa Clara				
due June 30, 2023	43,387,744	3,290,810	40,096,934	3,134,105
Total Governmental Activity Debt	<u>\$227,792,744</u>	<u>\$8,480,810</u>	<u>\$219,311,934</u>	<u>\$8,169,105</u>
Business-type Activity Debt:				
Sewer Certificates of Participation, 2006 Series A				
3.4% - 4.20%, due November 1, 2026	\$9,160,000	\$345,000	\$8,815,000	\$355,000
Total Business-type Activity Debt	<u>\$9,160,000</u>	<u>\$345,000</u>	<u>\$8,815,000</u>	<u>\$355,000</u>

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 9 - LONG TERM DEBT (Continued)

B. 2003 Redevelopment Agency Tax Allocation Bonds

In November 2003, the Agency issued Tax Allocation Bonds in the original principal amount of \$200,000,000 to advance refund and defease the outstanding 1997 and 2000 Tax Allocation Bonds, and to provide financing for various redevelopment projects. The Bonds are secured by the Agency's Tax Increment Revenue. In lieu of a reserve fund, the 2003 Bonds also are secured by a \$13,687,858 surety bond issued by Municipal Bond Investors Assurance Corporation. Principal is payable annually and the interest is payable semi-annually through 2033.

The pledge of all future tax increment revenue (housing and non-housing revenue) ends upon repayment of the \$291,761,351 remaining debt service on the bonds which is scheduled to occur in fiscal year 2033. Projected non-housing revenues are expected to provide coverage over debt service of 1.58 over the life of the bonds. Projected revenues for the low and moderate income housing set-aside amounts required to be deposited into the Agency's Housing Reserve Special Revenue Fund (housing revenue) are expected to provide coverage over debt service of 13.79 over the life of the bonds. For fiscal year 2009, non-housing tax increment revenue amounted to \$28,291,386 which represented coverage of 2.30 over the \$12,326,837 non-housing portion of debt service. For fiscal year 2009, the housing revenue amounted to \$7,876,041 which represented coverage of 21.78 over the \$361,621 housing portion of debt service.

C. Technology Certificates of Participation, Series 2000

On November 30, 2000, the City issued Technology Financing, Phase I, Certificates of Participation (Technology COPs), in the original principal amount of \$8,610,000 to provide funds for the acquisition, installation and equipping of certain technology improvements. The Technology COPs are collateralized by revenue from the Fire Station No. 1 (Main Fire Station) lease agreement. In lieu of a reserve fund, the COPs are secured by an \$861,000 surety bond issued by the Municipal Bond Investors Assurance Corporation. Principal is payable annually and interest is payable semi-annually through 2009. Final payment for the Technology COPs was made in fiscal year 2009.

D. Installment Purchase Agreement with the County of Santa Clara

The Redevelopment Agency has a non-interest bearing Installment Purchase Agreement with the County of Santa Clara in the original principal amount of \$135,000,000, as mentioned in Note 7D above. As discussed in Note 7D, under the Agreement, the City purchased two parcels of land that were later sold to developers. The amount due under the Agreement does not bear interest and is payable annually through 2023. The Agency has therefore recorded a liability of \$40,096,934 at June 30, 2009, representing the present value of future payments due under this Agreement.

E. Sewer Certificates of Participation, 2006 Series A

On December 1, 2006, the Milpitas Public Financing Authority issued Certificates of Participation, 2006 Series A (Sewer COPs), in the original principal amount of \$9,535,000 to finance certain sewer facilities within the City. The Sewer COPs are collateralized by net revenues from the City's Sewer System Installment Sale Agreement. For fiscal year 2009, net revenues amounted to \$9,849,174, which represented coverage of 14.30 over the \$749,229 of debt service. In lieu of a reserve fund, the COPs are secured by a \$695,758 surety bond issued by the MBIA Insurance Corporation. Principal is payable annually and interest is payable semi-annually through 2027.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 9 - LONG TERM DEBT (Continued)

F. Debt Service Requirements

Annual debt service requirements are shown below:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Total Principal	Total Interest	Total Principal	Total Interest
2010	\$8,169,105	\$9,414,453	\$355,000	\$331,793
2011	8,224,862	9,377,846	370,000	319,468
2012	8,252,725	9,340,158	380,000	306,528
2013	8,302,357	9,266,176	395,000	292,965
2014	9,048,045	9,490,188	405,000	278,965
2015-2019	48,284,164	45,281,133	2,260,000	1,161,151
2020-2024	54,180,676	37,152,377	2,730,000	683,843
2025-2029	50,330,000	12,016,158	1,920,000	122,829
2030-2033	24,520,000	2,110,928		
	<u>\$219,311,934</u>	<u>\$143,449,417</u>	<u>\$8,815,000</u>	<u>\$3,497,542</u>

G. Defeased Bonds

As of June 30, 2009, outstanding balances for defeased debt were \$27,945,000 for the Redevelopment Agency 1997 Tax Allocation Bonds and \$4,485,000 for the Sales Tax Revenue Bonds, Series 2000.

NOTE 10 – NET ASSETS AND FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

Net Assets is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

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. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Invested in Capital Assets and Capacity Rights, 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 and capacity rights, less the outstanding balance of any debt issued to finance these assets, calculated as follows:

Total capital assets	\$326,917,816
Total outstanding debt	(219,311,934)
Adjustments to outstanding debt:	
Unspent bond proceeds	17,397,443
Debt not related to the purchase of the City's capital assets:	
Portion of the 2003 Tax Allocation Bonds that funded capital assets owned by other governments	56,643,634
Installment Purchase Agreement	<u>40,096,934</u>
Invested in Capital Assets, Net of Related Debt	<u>\$221,743,893</u>

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 and redevelopment funds restricted for low and moderate income housing purposes.

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

B. Reservations of Governmental Fund Balances

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

Reserves for loans, advances, prepaids, materials, supplies and deposits are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserved for property 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.

Reserved for low and moderate income housing is legally restricted to expenditure for low and moderate income housing under the California Health and Safety Code.

C. Designations of Governmental Fund Balances

Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

Designated for PERS stabilization is the portion of the fund balance to be used to mitigate unpredictable PERS rate increases.

Designated for library and performing arts programs is the portion of the fund balance to be used for the construction and operation of a new library and for supporting performing and visual arts programs as approved by Measure H.

Designated for uninsured claims payable is the portion of fund balance to be used for the repayment of the long term portion of uninsured claims payable.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 10 – NET ASSETS AND FUND BALANCES (Continued)

Designated for projects is the portion of fund balance to be used for projects approved by Council as part of the Capital Improvement Program budget.

Designated for change in investment market values represents unrealized gains or losses on investments resulting from changes in fair market values recognized for financial statement purposes but not realized, since these investments have not been sold.

D. Fund Balance Deficit

The Transit Area Impact Fee Capital Projects Fund had deficit fund balance of \$206,493 at June 30, 2009. The deficit will be eliminated by future impact fee revenue.

NOTE 11 - PERS PENSION PLAN

A. CALPERS Safety and Miscellaneous Employees Plans

All qualified permanent and probationary 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, 2009, are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service	5 years service
Benefit payment	monthly for life	monthly for life
Retirement Age	50	50
Monthly benefits, as a % of annual salary	3.0%	2.0%-2.7%
Required employee contribution rates	9%	8%
Required employer contribution rates	22.875%	15.367%
Actuarially required contribution	\$4,372,368	\$3,401,193

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 City 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 liabilities. 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:

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 11 - PERS PENSION PLAN (Continued)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>Safety Plan</i>			
June 30, 2007	\$4,571,054	100%	\$0
June 30, 2008	4,574,696	100%	0
June 30, 2009	4,372,368	100%	0
<i>Miscellaneous Plan</i>			
June 30, 2007	\$3,461,180	100%	\$0
June 30, 2008	3,762,511	100%	0
June 30, 2009	3,401,193	100%	0

CALPERS uses the market related value method of valuing the Plan's assets. For the most recent actuarial report, as of June 30, 2007, 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. Investment gains and losses are accumulated as they are realized and approximately 6 percent of the net balance is amortized annually over a rolling thirty year period.

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. The Plans' actuarial value (which differs from market value) and funding progress over the most recent three years available are set forth below at their actuarial valuation date of June 30:

Safety Plan:

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$122,027,882	\$148,258,606	\$26,230,724	82.3%	\$18,123,752	144.731%
2006	133,625,518	158,393,536	24,768,018	84.4%	17,945,091	138.021%
2007	146,015,172	164,391,869	18,376,697	88.8%	16,020,547	114.707%

Miscellaneous Plan:

Actuarial						
Valuation Date	Value of Assets	Entry Age Accrued Liability	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2005	\$82,237,103	\$99,488,857	\$17,251,754	82.7%	\$22,898,895	75.339%
2006	91,352,176	108,397,205	17,045,029	84.3%	21,689,035	78.588%
2007	101,344,341	115,222,810	13,878,469	88.0%	21,421,229	64.788%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709. CALPERS usually reports information for each fiscal year seventeen months after the end of that fiscal year.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 11 - PERS PENSION PLAN (Continued)

CALPERS has reported that the value of the net assets in the Plans held for pension benefits changed during the year ended June 30, 2007 (the most recent available) as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
Beginning Balance 6/30/06	\$133,625,518	\$91,352,176
Contributions received	6,552,475	5,099,125
Benefits and Refunds Paid	(6,284,982)	(3,816,657)
Miscellaneous Adjustments	(66,816)	21,823
Expected Investment Earnings Credited	<u>10,363,609</u>	<u>7,129,392</u>
Expected Actuarial Value of Assets 6/30/07	<u>\$144,189,804</u>	<u>\$99,785,859</u>
Market Value of Assets 6/30/07	<u>\$169,630,711</u>	<u>\$117,246,439</u>
Actuarial Value of Assets 6/30/07	<u>\$146,015,172</u>	<u>\$101,344,341</u>

Additional disclosures will be included when made available by PERS.

B. Public Agency Retirement System

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs. The City's required contributions of \$21,436 and the employee's required contributions of \$85,738 were made during the fiscal year ending June 30, 2009.

NOTE 12 - EMPLOYEE BENEFITS

A. 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 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.

B. Retiree Medical Benefits

The City provides postretirement health care benefits to employees who retire in good standing from the City after attaining the age of 50 and to certain employees who retire due to disability. As of June 30, 2009 there were 181 participants receiving these health care benefits.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 12 - EMPLOYEE BENEFITS (Continued)

During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

The City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of City's eligible health plans. In addition, there are eligibility rules and contribution requirements defined in the Memorandum of Understanding (MOU) with each employee group. In the MOUs, the Benefit Cap is defined as not more than the single medical premium rate paid by the City for active employees, and the Retiree Cap is 15% above the single Kaiser medical premium rate. The eligibility rules for each MOU are summarized below.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 12 - EMPLOYEE BENEFITS (Continued)

	Hire/Retirement Date	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Professional / Technical (PROTECH)	Hired prior to July 1, 1995	At least 5	If retirement occurred between July 1, 1990 and September 1, 2002: - Any employee only medical premium rate If retirement occurs after September 1, 2002: - Benefit cap
	Hired on or after July 1, 1995 and retired on or after September 1, 2002	5 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
Mid- Management and Confidential (LIUNA)	Hired prior to July 1, 1995	At least 5	Benefit cap
	Hired on or after July 1, 1995	5 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
Unrepresented (UNREP)	Hired prior to July 1, 1995	At least 5	Benefit cap
	Hired on or after July 1, 1995	5 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
Fire Safety (IAFF)	Retired prior to January 1, 1990	N/A	None. However, retirees may elect to continue coverage on self-pay basis. Note: the City does contribute the required minimum CALPERS contribution (\$38.80 per month in 2008, \$45.45 per month in 2009)
	Retired January 1, 1990 - December 31, 1994	N/A	Any employee only premium
	Hired prior to January 1, 1995 and retired on or before February 20, 2007	1 but less than 10 At least 10	50% of the employee only premium 100% of the employee only premium
	Hired prior to January 1, 1995 and retire after February 20, 2007	1 but less than 10 At least 10	Up to 50% of the lesser of the retiree cap and the premium rate Up to 100% of the lesser of the retiree cap and the premium rate
	Hired on or after January 1, 1995 and retire on or before February 20, 2007	1 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the employee only premium Up to 50% of the employee only premium Up to 75% of the employee only premium Up to 100% of the employee only premium
	Hired on or after January 1, 1995 and retired after February 20, 2007	1 but less than 10 10 but less than 15 15 but less than 20 At least 20	25% of the lesser of the retiree cap and premium rate 50% of the lesser of the retiree cap and premium rate 75% of the lesser of the retiree cap and premium rate 100% of the lesser of the retiree cap and premium rate

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 12 - EMPLOYEE BENEFITS (Continued)

	Hire/Retirement Date	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Police (MPOA)	Retired Prior to January 1, 1989	N/A	None. However, retirees may elect to continue coverage on self-pay basis. Note: the City does contribute the required minimum CALPERS contribution (\$38.80 per month in 2008, \$45.45 per month in 2009)
	Hired prior to January 1, 1996	At least 5	If retirement occurs on or before June 30, 2003 - Any single, medical premium rate If retirement occurs on or after July 1, 2003 - up to the retiree cap
	Hired on or after January 1, 1996	1 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the retiree cap Up to 50% of the retiree cap Up to 75% of the retiree cap Up to 100% of the retiree cap
Employee Association (MEA)	Hired prior to June 30, 1996	At least 5	If retirement occurs on or before July 17, 1989 - None If retirement occurs between July 17, 1989 and March 18, 2003 - Any employee only medical premium rate If retirement occurs after March 18, 2003 -Benefit cap
	Hired on or after June 30, 1996	1 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the lowest cost employee only premium but no more than the lowest employee only single rate paid by the City Up to 50% of the lowest cost employee only premium Up to 75% of the lowest cost employee only premium Up to 100% of the lowest cost employee only premium
Supervisors (MSA)	Hired prior to June 30, 1995	At least 5	If retirement occurs before November 27, 2007 -Any employee only medical premium rate If retirement occurs on or after November 27, 2007 -Benefit cap
	Hired on or after June 30, 1995 and retire after November 27, 2007	5 but less than 10 10 but less than 15 15 but less than 20 At least 20	Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap

Funding Policy and Actuarial Assumptions

The City's policy is to prefund these benefits by accumulating assets with CERBT discussed above pursuant to the City's annual budget approved by Council. The annual required contribution (ARC) for the year ended June 30, 2009 was determined as part of a July 1, 2007 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) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health care cost trend rates of 8.5% for medical and 3.0% for dental.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. 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 actuarial value of assets is based upon the balance in the CERBT Trust. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on a closed basis. The July 1, 2009 actuarial study indicates that as of July 1, 2009, the actuarial accrued liability was estimated to be \$41,161,985.

Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2009, the City contributed the ARC of \$2,901,441 to the Plan. As a result, the City has calculated and recorded the Net OPEB Asset/Liability, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution	\$2,901,441
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	2,901,441
Contributions made	<u>(2,901,441)</u>
(Decrease) increase in net OPEB obligations	0
Net OPEB obligation (asset) June 30, 2008	<u>0</u>
Net OPEB obligation (asset) June 30, 2009	<u><u>\$0</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 1, 2009, amounted to \$41,161,985. The AAL is partially funded since assets have been transferred into CERBT. The City's prior year contributions, the current year annual required contribution, along with investment income net of current year premiums resulted in assets with CERBT of \$9,736,454 as of June 30, 2009, which partially reduced the unfunded actuarial accrued liability.

The Plan's annual required contributions and actual contributions for fiscal years ended June 30, 2008 and 2009 are set forth below:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2008	\$2,797,701	\$2,797,701	100%	\$0
June 30, 2009	2,901,441	2,901,441	100%	0

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 12 - EMPLOYEE BENEFITS (Continued)

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. Trend data from the actuarial studies is presented below:

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll
7/1/2007	\$9,496,160	\$36,371,140	\$26,874,980	26.11%	\$41,522,000	64.72%
7/1/2009	9,931,187	41,161,985	31,230,798	24.13%	42,871,000	72.85%

C. *Accrued Vacation and Sick Leave Liabilities*

Employees accrue vacation up to certain maximums, based on employee classification. Employees may elect to be paid a portion of their vacation at various times according to the applicable memorandum of understanding. Sick leave may be accumulated without limit. Vested sick leave may be paid upon separation from service in good standing and is based on a vesting schedule determined by years of service.

The City measures and adjusts the liability for vacation and sick leave annually at its fiscal year end. During the year ended June 30, 2009, sick leave benefits payable decreased by \$402,280 and vacation benefits payable increased \$8,598. For all governmental funds, amounts expected to be paid out for permanent liquidation are recorded as fund liability; the long-term portion is recorded in the Statement of Net Assets.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 12 - EMPLOYEE BENEFITS (Continued)

The changes of the Accrued Vacation and Sick Leave Liabilities and the allocation of each liability among the departments are as follows:

	Accrued Vacation		Sick Leave	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Balance as of June 30, 2008	\$4,474,097	\$168,983	\$5,269,679	\$176,621
Additions	3,902,905	209,180	1,548,524	74,443
Payments and adjustments	(3,904,292)	(199,195)	(1,942,773)	(82,474)
Balance as of June 30, 2009	<u>\$4,472,710</u>	<u>\$178,968</u>	<u>\$4,875,430</u>	<u>\$168,590</u>
General Government	\$473,209		\$223,581	
Building	153,040		119,954	
Public Works	403,292		236,392	
Engineering and Planning	287,418		221,940	
Recreation	108,296		84,121	
Police	2,084,814		1,741,762	
Fire	914,276		2,231,020	
Water Utility		\$89,484		\$84,295
Sewer Utility		89,484		84,295
Internal Service	48,365		16,660	
Total	<u>\$4,472,710</u>	<u>\$178,968</u>	<u>\$4,875,430</u>	<u>\$168,590</u>
Long-Term Portion:				
Governmental activities	\$3,930,164		\$4,580,099	
Business-type activities		\$119,806		\$123,070
Total long term portions	<u>\$3,930,164</u>	<u>\$119,806</u>	<u>\$4,580,099</u>	<u>\$123,070</u>
Current Portion				
Governmental activities	\$542,546		\$295,331	
Business-type activities		\$59,162		\$45,520
Total current portions	<u>\$542,546</u>	<u>\$59,162</u>	<u>\$295,331</u>	<u>\$45,520</u>

Accrued Vacation and Sick Leave 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.

NOTE 13 - RISK MANAGEMENT

A. Risk Pool

The City participates in ABAG Plan Corporation, a non-profit public benefit corporation established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. ABAG Plan provides \$5,000,000 of self-funded general liability and auto coverage and \$20,000,000 excess 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 excess of the City's \$5,000 deductible. ABAG Plan provides coverage for property damage up to \$1 billion. The City retains a self-insured amount of \$5,000 for each property and \$10,000 for each vehicle per occurrence.

During the fiscal year ended June 30, 2009 the City contributed \$388,886 for current year coverage.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 13 - RISK MANAGEMENT (Continued)

ABAG Plan is governed by a board consisting of representatives from member municipalities. The board controls the operations of ABAG Plan funding policies and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's annual contributions to ABAG Plan are calculated based on the ratio of the City's payroll to the total payrolls of all entities participating in the program and the City's loss experience. Actual surpluses or losses are shared according to a formula developed from overall costs and spread to member entities on a percentage basis.

Financial statements may be obtained from ABAG Services, P.O. Box 2050, Oakland, CA 94604-2050.

B. Workers Compensation

The City has a commercial insurance policy which provides workers compensation coverage up to a maximum of \$20,000,000. The City has a deductible or uninsured liability of up to \$750,000 per claim for miscellaneous employees and \$1,000,000 for public safety employees.

C. Dental

The City is self-insured for dental care for miscellaneous employees up to a maximum of \$14,000 per family, based on years of service. Claims are funded on a pay-as-you-go basis. During the year ended June 30, 2009 the City paid \$731,282 in dental claims and administrative fees. Public safety employees are insured under various dental care insurance plans.

D. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported, when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City's liability for uninsured claims is limited to worker's compensation and general liability claims, as discussed above, and was computed as follows based on claims experience:

	2009			2008
	Worker's Compensation	General Liability	Total	
Beginning balance	\$3,542,926	\$236,512	\$3,779,438	\$4,213,068
Liability for current fiscal year claims	368,893	93,902	462,795	231,386
Increase (decrease) in estimated liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(141,421)	120,656	(20,765)	728,538
Claims paid	(667,507)	(145,129)	(812,636)	(1,393,554)
Ending balance	<u>\$3,102,891</u>	<u>\$305,941</u>	<u>\$3,408,832</u>	<u>\$3,779,438</u>
Due in one year	<u>\$951,937</u>	<u>\$137,293</u>	<u>\$1,089,230</u>	<u>\$1,234,174</u>

Settlements have not exceeded insurance coverage in the past three fiscal years.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 14 - COMMITMENTS AND 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 several Federal and State grant programs. These programs are subject to audit by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances have been proposed as a result of audits completed to date; 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.

The Redevelopment Agency is limited in the amount of cumulative tax increment that it can collect. During fiscal year 1997 the Agency amended the tax increment limitation for Project Area Number 1 from \$240 million to \$502 million. The limitation was subsequently increased to \$2.4 billion in 2003. However, State law requires that the Agency commence statutory pass-through payments to other taxing entities in the Project Area when the original limit is reached. During fiscal year 2009, the Agency made pass-through payments in the amount of \$2,847,644.

Construction commitments are discussed in Notes 7 and 8.

NOTE 15 – LOCAL IMPROVEMENT DISTRICT DEBT WITH NO CITY COMMITMENT

Local Improvement Districts (LIDs) are established in various parts of the City to provide improvements to properties located in those districts. Properties in these Districts are assessed for the cost of improvements; these assessments are payable over the term of the debt issued to finance the improvements and must be sufficient to repay this debt. The City acts solely as the collecting and paying agent for the Districts' debt issues below, but it has no direct or contingent liability or moral obligation for the payment of this debt, which is not included in the general debt of the City. The outstanding balance of each of these issues as of June 30, 2009 is as follows:

Issue	Fiscal Year Issued	Interest Rate	Principal Maturities		Outstanding June 30, 2009
			Annual Amount	Fiscal Years Ended	
LID #18 Phase II	1997	6.75%	\$230,000-365,000	2010-2017	\$2,345,000
LID #18	1999	5.55-5.85%	175,000-290,000	2010-2019	2,280,000
LID #18 Refunding	1998	5.65%	570,000-750,000	2010-2015	3,940,000
LID #20	1999	5.65-5.70%	830,000-1,365,000	2010-2019	10,795,000
LID #9R and 12R	1999	5.40-5.625%	345,000-425,000	2010-2013	1,505,000
Total					<u>\$20,865,000</u>

NOTE 16 – TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)

The State of California adopted AB1389 in September 2008, which directs that a portion of the incremental property taxes which had been received in prior years by redevelopment agencies be paid instead to the County educational revenue augmentation fund (ERAF). In a lawsuit filed by the California Redevelopment Association (CRA), the ERAF portion of AB1389 was found to be unconstitutional. As a result, the Agency did not pay its fiscal year 2008-09 ERAF of \$2,421,780. The case is currently under appeal, therefore it has not been determined whether the Agency will be required to make the ERAF payment in the future.

CITY OF MILPITAS
Notes to Basic Financial Statements

NOTE 16 – TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)
(Continued)

AB1389 also requires each redevelopment agency to submit a report to its county auditor reporting the statutory pass-through payments made by the Agency between July 1, 2003 and June 30, 2008. After the Agency submitted its report to the County, the County is required to review and submit the report to the State. The State found that the County had miscalculated certain pass-through payments that resulted in an overpayment to certain pass-through entities and an underpayment to other pass-through entities. The County made the necessary corrections, but these corrections had no impact on the Agency.

NOTE 17 – SUBSEQUENT EVENT

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 (SERAF) in fiscal years 2009-10 and 2010-11. The State Department of Finance will determine each agency's SERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the formula mandated by AB26 4X, the Agency's SERAF payments are estimated to be \$11,762,930 in fiscal year 2009-10 and \$2,421,780 in fiscal year 2010-11. The Agency can use any legally available funds to make the SERAF payments. The payment due in fiscal year 2009-10 represents 22% of the Agency's cash and investments available for operations at June 30, 2009. The obligation to make the SERAF payment is subordinate to obligations to repay bonds, however if the Agency fails to make the SERAF 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 SERAF is paid in full.

In August 2009 the Agency entered into a disposition and development agreement with a developer that involves the development of a two-phased residential development consisting of 180 senior housing units providing a continuum of services from independent to assisted living, 63 units of which would be affordable to lower income seniors, and 207 multi-family units with no age or income restrictions. The agreement includes the provision that the Agency's Housing Reserve Special Revenue purchase the 5.94 acre parcel on which the development will take place for \$12.4 million and sell the property to the developer in two phases.



CITY OF MILPITAS
REDEVELOPMENT PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Positive (Negative)</u>
Revenues			
Property taxes	\$31,694,219	\$36,167,427	\$4,473,208
Use of money and property	2,439,000	2,849,006	410,006
Intergovernmental	2,281,000	1,815,940	(465,060)
Other	92,400	124,046	31,646
	<u>36,506,619</u>	<u>40,956,419</u>	<u>4,449,800</u>
Total Revenues			
Expenditures			
Current:			
General Government:			
City Manager	542,855	523,187	19,668
City Attorney	39,479	39,479	
Non-departmental	858,709	496,497	362,212
Public Works	2,015,218	1,496,509	518,709
Planning and Neighborhood Services	446,828	414,815	32,013
Debt service:			
Principal	7,250,810	7,250,810	
Interest and fiscal charges	11,484,709	11,483,168	1,541
	<u>22,638,608</u>	<u>21,704,465</u>	<u>934,143</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>13,868,011</u>	<u>19,251,954</u>	<u>5,383,943</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	844,000	957,041	113,041
Transfers (out)	(12,301,704)	(13,790,567)	(1,488,863)
	<u>(11,457,704)</u>	<u>(12,833,526)</u>	<u>(1,375,822)</u>
Total Other Financing Sources (Uses)			
Net change in fund balance	<u>\$2,410,307</u>	6,418,428	<u>\$4,008,121</u>
Adjustment to budgetary basis:			
Capital outlay		(24,211,250)	
Encumbrance adjustments		7,205,243	
Fund balance, July 1		<u>68,337,282</u>	
Fund balance, June 30		<u>\$57,749,703</u>	

CITY OF MILPITAS
STREET IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
Revenues			
Use of money and property	\$356,000	\$396,411	\$40,411
Intergovernmental	997,285	911,439	(85,846)
Developer contributions		33,965	33,965
Total Revenues	1,353,285	1,341,815	(11,470)
Expenditures			
Current:			
General Government:			
Non-departmental	121,782	101,886	19,896
Public Works	457,855	457,855	
Total Expenditures	579,637	559,741	19,896
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	773,648	782,074	8,426
OTHER FINANCING SOURCES (USES)			
Transfers in	2,530,000	2,575,266	45,266
Transfers (out)	(394,000)	(145,420)	248,580
Total Other Financing Sources (Uses)	2,136,000	2,429,846	293,846
Net change in fund balance	\$2,909,648	3,211,920	\$302,272
Adjustment to budgetary basis:			
Capital outlay		(3,485,821)	
Encumbrance adjustments		335,471	
Fund balance, July 1		9,890,196	
Fund balance, June 30		\$9,951,766	



CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

	SPECIAL REVENUE FUNDS					
	Gas Tax	Housing and Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
ASSETS						
Cash and investments available for operations	\$234,571		\$306,763	\$1,223,926	\$380,539	\$13,191
Receivables:						
Accounts				54,288		
Due from other governments	93,118	\$200,740		19,579		
Interest	2,005	2	2,389	9,238	1,916	9
Loans receivable		3,446,251				
Prepays, materials, supplies and deposits		899	5,795	1,429	360	
Total Assets	<u>\$329,694</u>	<u>\$3,647,892</u>	<u>\$314,947</u>	<u>\$1,308,460</u>	<u>\$382,815</u>	<u>\$13,200</u>
LIABILITIES						
Accounts payable		\$180,854	\$17,691	\$4,882	\$20,955	\$11,764
Accrued payroll		3,727	148	4,752	454	
Due to other funds		35,757				
Deferred revenue			62,318			
Advances from other funds						
Refundable deposits				18,843		
Total Liabilities		<u>220,338</u>	<u>80,157</u>	<u>28,477</u>	<u>21,409</u>	<u>11,764</u>
FUND BALANCE						
Fund Balances:						
Reserved for:						
Encumbrances		4,993		11,435	62,926	
Loans		3,446,251				
Prepays, materials, supplies and deposits		899	5,795	1,429	360	
Unreserved, Designated for:						
Projects						
Change in investment market values						
Unreserved, Undesignated	\$329,694	(24,589)	228,995	1,267,119	298,120	1,436
Total Fund Balances	<u>329,694</u>	<u>3,427,554</u>	<u>234,790</u>	<u>1,279,983</u>	<u>361,406</u>	<u>1,436</u>
Total Liabilities and Fund Balances	<u>\$329,694</u>	<u>\$3,647,892</u>	<u>\$314,947</u>	<u>\$1,308,460</u>	<u>\$382,815</u>	<u>\$13,200</u>

CAPITAL PROJECTS FUNDS

Hetch-Hetchy Ground Lease	Public Art	Park Improvement	General Government Project	Storm Drain Development	Transit Area Impact Fee	Total Nonmajor Governmental Funds
\$1,648,371	\$848,511	\$9,169,259	\$958,706	\$745,135	\$ 4,549,161	\$20,078,133
						54,288
1,158	4,337	70,436	6,440	6,537		313,437
2,214			23,249			104,467
<u>\$1,651,743</u>	<u>\$852,848</u>	<u>\$9,239,695</u>	<u>\$988,395</u>	<u>\$751,672</u>	<u>\$4,549,161</u>	<u>\$24,030,522</u>
		\$23,246	\$20,587	\$9,655		\$289,634
		2,899	247	3,238		15,465
					\$4,755,654	35,757
						62,318
						4,755,654
						18,843
		<u>26,145</u>	<u>20,834</u>	<u>12,893</u>	<u>4,755,654</u>	<u>5,177,671</u>
		385,931		221,308	4,549,161	5,235,754
\$2,214			23,249			3,446,251
		4,109,094	382,499	517,471		33,946
1,649,529	\$852,848	221,403	561,813		(4,755,654)	5,009,064
		4,497,122				221,403
<u>1,651,743</u>	<u>852,848</u>	<u>9,213,550</u>	<u>967,561</u>	<u>738,779</u>	<u>(206,493)</u>	<u>18,852,851</u>
<u>\$1,651,743</u>	<u>\$852,848</u>	<u>\$9,239,695</u>	<u>\$988,395</u>	<u>\$751,672</u>	<u>\$4,549,161</u>	<u>\$24,030,522</u>

CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUNDS					
	Gas Tax	Housing & Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
REVENUES:						
Sales taxes						
Other taxes				\$402,038		
Use of money and property	\$8,655	\$3,128	\$9,794	40,318	\$8,641	\$52
Intergovernmental	1,120,913	792,034	61,043	169,203		
Charges for services				130,368		
Developer contributions						
Other				5,035	308,517	112,143
Total Revenues	1,129,568	795,162	70,837	746,962	317,158	112,195
EXPENDITURES:						
Current:						
General Government		77,421				
Public Works				306,085	216,936	110,759
Engineering and Planning		358,073				
Police			90,386			
Capital outlay			7,729			
Debt services:						
Interest and fees						
Total Expenditures		435,494	98,115	306,085	216,936	110,759
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,129,568	359,668	(27,278)	440,877	100,222	1,436
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(1,200,000)			(454,462)		
Total Other Financing Sources (Uses)	(1,200,000)			(454,462)		
NET CHANGE IN FUND BALANCES	(70,432)	359,668	(27,278)	(13,585)	100,222	1,436
FUND BALANCES AT BEGINNING OF YEAR	400,126	3,067,886	262,068	1,293,568	261,184	
FUND BALANCES AT END OF YEAR	\$329,694	\$3,427,554	\$234,790	\$1,279,983	\$361,406	\$1,436

CAPITAL PROJECTS FUNDS

Hetch-Hetchy Ground Lease	Public Art	Park Improvement	General Government Project	Storm Drain Development	Transit Area Impact Fee	Total Nonmajor Governmental Funds
						\$402,038
\$72,252	\$20,726	\$404,565	\$20,873	\$28,673		617,677
	193					2,143,193
		241,790		156,407		130,561
						398,197
						425,695
<u>72,252</u>	<u>20,919</u>	<u>646,355</u>	<u>20,873</u>	<u>185,080</u>		<u>4,117,361</u>
26,576						103,997
				157,892	\$200,000	991,672
						358,073
		891,239	91,848	16,573		90,386
						1,007,389
					6,493	6,493
<u>26,576</u>		<u>891,239</u>	<u>91,848</u>	<u>174,465</u>	<u>206,493</u>	<u>2,558,010</u>
45,676	20,919	(244,884)	(70,975)	10,615	(206,493)	1,559,351
	394,490		360,000			754,490
(3,158)		(200,000)	(53,787)	(250,000)		(2,161,407)
<u>(3,158)</u>	<u>394,490</u>	<u>(200,000)</u>	<u>306,213</u>	<u>(250,000)</u>		<u>(1,406,917)</u>
42,518	415,409	(444,884)	235,238	(239,385)	(206,493)	152,434
1,609,225	437,439	9,658,434	732,323	978,164		18,700,417
<u>\$1,651,743</u>	<u>\$852,848</u>	<u>\$9,213,550</u>	<u>\$967,561</u>	<u>\$738,779</u>	<u>(\$206,493)</u>	<u>\$18,852,851</u>

CITY OF MILPITAS
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2009

	GAS TAX			HOUSING AND COMMUNITY DEVELOPMENT		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes						
Use of money and property	\$9,000	\$8,655	(\$345)	\$2,000	\$3,128	\$1,128
Intergovernmental	1,207,000	1,120,913	(86,087)	988,000	792,034	(195,966)
Charges for services						
Other						
Total Revenues	<u>1,216,000</u>	<u>1,129,568</u>	<u>(86,432)</u>	<u>990,000</u>	<u>795,162</u>	<u>(194,838)</u>
EXPENDITURES						
Current:						
General Government:						
Finance				26,000	25,092	908
Non-departmental				61,848	57,322	4,526
Public Works						
Planning and Neighborhood Services				871,126	838,264	32,862
Police						
Total Expenditures				<u>958,974</u>	<u>920,678</u>	<u>38,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,216,000</u>	<u>1,129,568</u>	<u>(86,432)</u>	<u>31,026</u>	<u>(125,516)</u>	<u>(156,542)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(1,200,000)	(1,200,000)				
Total Other Financing Sources (Uses)	<u>(1,200,000)</u>	<u>(1,200,000)</u>				
NET CHANGE IN FUND BALANCES	<u>\$16,000</u>	<u>(70,432)</u>	<u>(\$86,432)</u>	<u>\$31,026</u>	<u>(125,516)</u>	<u>(\$156,542)</u>
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes				480,191		
Capital outlay				4,993		
Encumbrance adjustments						
Fund balances at beginning of year		<u>400,126</u>			<u>3,067,886</u>	
Fund balances at end of year		<u>\$329,694</u>			<u>\$3,427,554</u>	

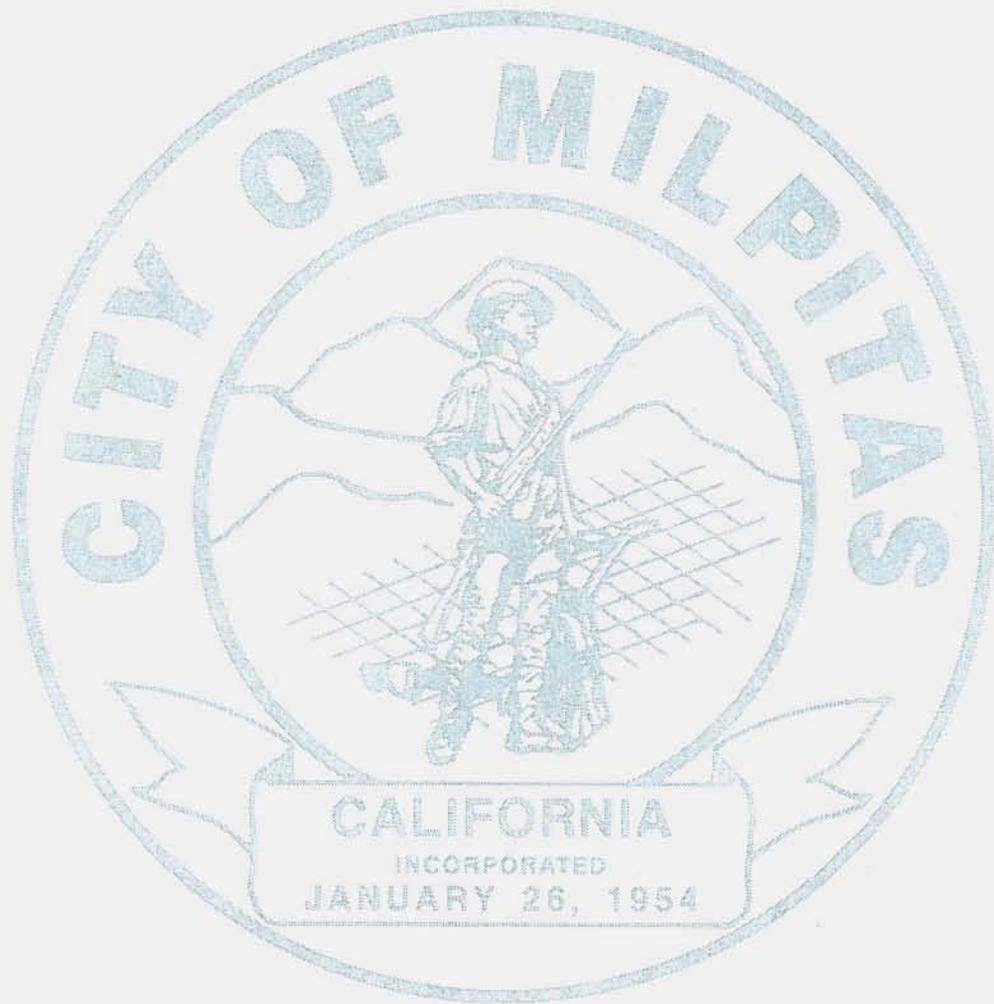
LAW ENFORCEMENT SERVICES			SOLID WASTE REDUCTION AND SERVICES			LIGHTING AND LANDSCAPING MAINTENANCE DISTRICT		
Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
\$13,000	\$9,794	(\$3,206)	\$479,000	\$402,038	(\$76,962)	\$8,000	\$8,641	\$641
165,906	61,043	(104,863)	45,000	40,318	(4,682)			
			181,463	169,203	(12,260)			
			176,000	130,368	(45,632)			
				5,035	5,035	304,000	308,517	4,517
178,906	70,837	(108,069)	881,463	746,962	(134,501)	312,000	317,158	5,158
			654,374	317,520	336,854	312,814	275,209	37,605
159,564	90,386	69,178						
159,564	90,386	69,178	654,374	317,520	336,854	312,814	275,209	37,605
19,342	(19,549)	(38,891)	227,089	429,442	202,353	(814)	41,949	42,763
			(454,462)	(454,462)				
			(454,462)	(454,462)				
\$19,342	(19,549)	(\$38,891)	(\$227,373)	(25,020)	\$202,353	(\$814)	41,949	\$42,763
	(7,729)			11,435			58,273	
	262,068			1,293,568			261,184	
	\$234,790			\$1,279,983			\$361,406	

(Continued)

CITY OF MILPITAS
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2009

	COMMUNITY FACILITIES DISTRICT			HETCH-HETCHY GROUND LEASE		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes						
Use of money and property		\$52	\$52	\$74,000	\$72,252	(\$1,748)
Intergovernmental						
Charges for services						
Other	\$90,000	112,143	22,143			
Total Revenues	90,000	112,195	22,195	74,000	72,252	(1,748)
EXPENDITURES						
Current:						
General Government:						
Finance						
Non-departmental				30,000	26,576	3,424
Public Works	119,000	110,759	8,241			
Planning and Neighborhood Services						
Police						
Total Expenditures	119,000	110,759	8,241	30,000	26,576	3,424
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(29,000)	1,436	30,436	44,000	45,676	1,676
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(3,158)	(3,158)	
Total Other Financing Sources (Uses)				(3,158)	(3,158)	
NET CHANGE IN FUND BALANCES	<u>(\$29,000)</u>	1,436	<u>\$30,436</u>	<u>\$40,842</u>	42,518	<u>\$1,676</u>
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital outlay						
Encumbrance adjustments						
Fund balances at beginning of year					1,609,225	
Fund balances at end of year		<u>\$1,436</u>			<u>\$1,651,743</u>	

PUBLIC ART			TOTALS		
Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
			\$479,000	\$402,038	(\$76,962)
\$14,000	\$20,726	\$6,726	165,000	163,566	(1,434)
			2,542,369	2,143,193	(399,176)
	193	193	176,000	130,561	(45,439)
			394,000	425,695	31,695
<u>14,000</u>	<u>20,919</u>	<u>6,919</u>	<u>3,756,369</u>	<u>3,265,053</u>	<u>(491,316)</u>
			26,000	25,092	908
			91,848	83,898	7,950
			1,086,188	703,488	382,700
			871,126	838,264	32,862
			159,564	90,386	69,178
			<u>2,234,726</u>	<u>1,741,128</u>	<u>493,598</u>
<u>14,000</u>	<u>20,919</u>	<u>6,919</u>	<u>1,521,643</u>	<u>1,523,925</u>	<u>2,282</u>
480,000	394,490	(85,510)	480,000	394,490	(85,510)
			<u>(1,657,620)</u>	<u>(1,657,620)</u>	
480,000	394,490	(85,510)	<u>(1,177,620)</u>	<u>(1,263,130)</u>	<u>(85,510)</u>
<u>\$494,000</u>	<u>415,409</u>	<u>(\$78,591)</u>	<u>\$344,023</u>	<u>260,795</u>	<u>(\$83,228)</u>
				480,191	
				(7,729)	
				74,701	
	<u>437,439</u>			<u>7,331,496</u>	
	<u>\$852,848</u>			<u>\$8,139,454</u>	



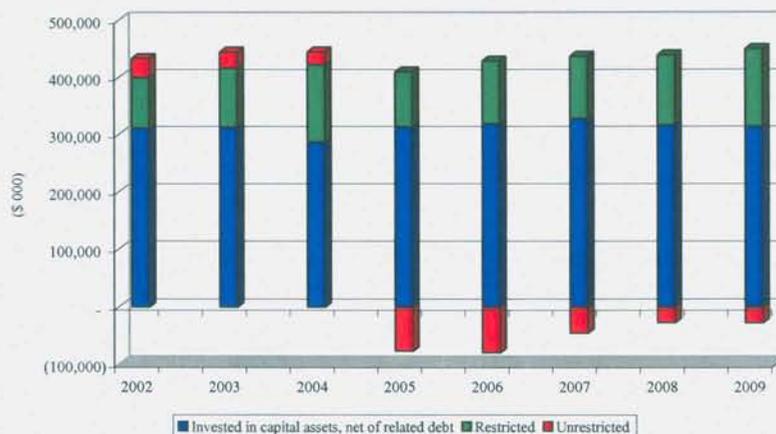
CITY OF MILPITAS
AGENCY FUNDS
STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>Employee Benefit</u>				
<u>Assets</u>				
Cash and investments available for operations	\$1,348,090	\$555,116	\$206,544	\$1,696,662
Receivables:				
Accounts	114	420	534	
Interest	13,092	13,199	13,092	13,199
Total Assets	<u>\$1,361,296</u>	<u>\$568,735</u>	<u>\$220,170</u>	<u>\$1,709,861</u>
<u>Liabilities</u>				
Refundable deposits	<u>\$1,361,296</u>	<u>\$568,735</u>	<u>\$220,170</u>	<u>\$1,709,861</u>
Total Liabilities	<u>\$1,361,296</u>	<u>\$568,735</u>	<u>\$220,170</u>	<u>\$1,709,861</u>
<u>Senior Advisory Commission</u>				
<u>Assets</u>				
Cash and investments available for operations	\$6,155	\$7,001	\$2,234	\$10,922
Receivables:				
Interest	57	69	57	69
Total Assets	<u>\$6,212</u>	<u>\$7,070</u>	<u>\$2,291</u>	<u>\$10,991</u>
<u>Liabilities</u>				
Refundable deposits	<u>\$6,212</u>	<u>\$7,070</u>	<u>\$2,291</u>	<u>\$10,991</u>
Total Liabilities	<u>\$6,212</u>	<u>\$7,070</u>	<u>\$2,291</u>	<u>\$10,991</u>
<u>LID #18 - Reassessment and Refunding</u>				
<u>Assets</u>				
Cash and investments available for operations	\$1,429,555	\$1,559,064	\$1,485,724	\$1,502,895
Cash and investments held by trustees	1,232,433	10,748		1,243,181
Receivable:				
Interest	7,394	6,297	7,394	6,297
Total Assets	<u>\$2,669,382</u>	<u>\$1,576,109</u>	<u>\$1,493,118</u>	<u>\$2,752,373</u>
<u>Liabilities</u>				
Due to Local Improvement Districts	<u>\$2,669,382</u>	<u>\$1,576,109</u>	<u>\$1,493,118</u>	<u>\$2,752,373</u>
Total Liabilities	<u>\$2,669,382</u>	<u>\$1,576,109</u>	<u>\$1,493,118</u>	<u>\$2,752,373</u>

CITY OF MILPITAS
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>LID #20</u>				
<u>Assets</u>				
Cash and investments available for operations	\$1,242,525	\$1,493,961	\$1,435,625	\$1,300,861
Cash and investments held by trustees	1,196,753	10,436		1,207,189
Receivables:				
Interest	6,056	4,908	6,056	4,908
Total Assets	<u>\$2,445,334</u>	<u>\$1,509,305</u>	<u>\$1,441,681</u>	<u>\$2,512,958</u>
<u>Liabilities</u>				
Due to Local Improvement Districts	<u>\$2,445,334</u>	<u>\$1,509,305</u>	<u>\$1,441,681</u>	<u>\$2,512,958</u>
Total Liabilities	<u>\$2,445,334</u>	<u>\$1,509,305</u>	<u>\$1,441,681</u>	<u>\$2,512,958</u>
<u>LID #9R and #12R</u>				
<u>Assets</u>				
Cash and investments available for operations	\$821,170	\$551,048	\$806,805	\$565,413
Cash and investments held by trustees	553,457	4,743	20,830	537,370
Receivables:				
Interest	4,587	3,839	4,587	3,839
Total Assets	<u>\$1,379,214</u>	<u>\$559,630</u>	<u>\$832,222</u>	<u>\$1,106,622</u>
<u>Liabilities</u>				
Due to Local Improvement Districts	<u>\$1,379,214</u>	<u>\$559,630</u>	<u>\$832,222</u>	<u>\$1,106,622</u>
Total Liabilities	<u>\$1,379,214</u>	<u>\$559,630</u>	<u>\$832,222</u>	<u>\$1,106,622</u>
<u>TOTAL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and investments available for operations	\$4,847,495	\$4,166,190	\$3,936,932	\$5,076,753
Cash and investments held by trustees	2,982,643	25,927	20,830	2,987,740
Receivables:				
Accounts	114	420	534	
Interest	31,186	28,312	31,186	28,312
Total Assets	<u>\$7,861,438</u>	<u>\$4,220,849</u>	<u>\$3,989,482</u>	<u>\$8,092,805</u>
<u>Liabilities</u>				
Refundable deposits	\$1,367,508	\$575,805	\$222,461	\$1,720,852
Due to Local Improvement Districts	6,493,930	3,645,044	3,767,021	6,371,953
Total Liabilities	<u>\$7,861,438</u>	<u>\$4,220,849</u>	<u>\$3,989,482</u>	<u>\$8,092,805</u>

**CITY OF MILPITAS
NET ASSETS
LAST EIGHT FISCAL YEARS**
(Accrual basis of accounting)
(Dollars in Thousands)



	Fiscal Year Ended June 30							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities								
Invested in capital assets, net of related debt	\$219,305	\$221,431	\$192,380	\$225,140	\$224,223	\$232,841	\$224,603	\$221,744
Restricted	84,043	100,007	130,126	89,652	97,069	92,504	104,161	110,463
Unrestricted	11,755	(963)	(798)	(97,657)	(92,209)	(62,097)	(50,764)	(41,574)
Total governmental activities net assets	\$315,103	\$320,475	\$321,708	\$217,135	\$229,083	\$263,248	\$278,000	\$290,633
Business-type activities								
Invested in capital assets, net of related debt	\$92,182	\$91,151	\$94,693	\$88,191	\$94,467 (a)	\$95,300	\$92,028	\$92,576
Restricted	4,358	4,020	4,974	6,774	12,852	16,179	18,252	24,911
Unrestricted	21,596	28,824	23,102	21,125	12,980	16,652	23,603	14,172
Total business-type activities net assets	\$118,136	\$123,995	\$122,769	\$116,090	\$120,299	\$128,131	\$133,883	\$131,659
Primary government								
Invested in capital assets, net of related debt	\$311,487	\$312,582	\$287,073	\$313,331	\$318,690	\$328,141	\$316,631	\$314,320
Restricted	88,401	104,027	135,100	96,426	109,921	108,683	122,413	135,374
Unrestricted	33,351	27,861	22,304	(76,532)	(79,229)	(45,445)	(27,161)	(27,402)
Total primary government net assets	\$433,239	\$444,470	\$444,477	\$333,225	\$349,382	\$391,379	\$411,883	\$422,292

The City of Milpitas implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

(a) The City restated the balance of capacity rights to remove improvements that did not add to the City's rights.

CITY OF MILPITAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year Ended June 30							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental activities								
General Government	\$10,687	\$13,178	\$13,243	\$17,412	\$18,651	\$16,297	\$18,130	\$18,184
Building and Safety	2,348	2,512	2,017	2,048	2,195	2,334	2,626	2,401
Public Works	17,851	18,131	17,537	17,794	17,156	20,647	20,745	19,605
Planning and Neighborhood Services	8,549	7,156	7,114	7,116	7,453	2,396	3,239	3,249
Parks and Recreation	3,852	4,219	4,246	4,170	4,266	7,301	6,527	6,518
Police	16,465	19,593	19,575	18,773	20,473	21,452	22,440	22,514
Fire	11,353	14,293	13,865	14,448	14,381	14,329	15,411	15,260
Payment under developer agreements	210	98			9,384			
Interest on Long Term Debt	4,288	3,724	9,829	9,338		9,419	11,534	9,402
Total governmental activities expenses	<u>75,603</u>	<u>82,904</u>	<u>87,426</u>	<u>91,099</u>	<u>93,959</u>	<u>94,175</u>	<u>100,652</u>	<u>97,133</u>
Business-type activities								
Water Utility	8,375	8,583	9,877	9,668	9,837	10,673	11,567	12,545
Recycled Water Utility	166	208	255	247	328	337	481	576
Sewer Utility	6,369	6,784	6,165	6,040	7,047	8,210	8,626	12,312
Total business-type activities expenses	<u>14,910</u>	<u>15,575</u>	<u>16,297</u>	<u>15,955</u>	<u>17,212</u>	<u>19,220</u>	<u>20,674</u>	<u>25,433</u>
Total primary government expenses	<u>\$90,513</u>	<u>\$98,479</u>	<u>\$103,723</u>	<u>\$107,054</u>	<u>\$111,171</u>	<u>\$113,395</u>	<u>\$121,326</u>	<u>\$122,566</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General Government	\$465	\$437	\$860	\$906	\$580	\$662	\$996	\$956
Building and Safety	1,951	1,305	1,488	2,899	5,800	5,029	4,194	2,897
Public Works	285	320	307	311	344	2,817	2,410	1,996
Planning and Neighborhood Services	913	901	1,185	1,678	2,412	436	459	358
Parks and Recreation	1,226	1,382	1,391	1,482	1,496	1,599	1,663	1,655
Police	1,083	1,190	1,273	1,693	1,132	1,406	1,351	1,425
Fire	524	490	766	305	1,070	1,109	1,144	1,108
Operating grants and contributions	6,098	3,697	4,197	3,780	4,089	4,600	4,617	4,920
Capital grants and contributions	8,521	8,124	13,770	12,012	12,971	16,056	15,242	7,101
Total governmental activities program revenues	<u>21,066</u>	<u>17,846</u>	<u>25,237</u>	<u>25,066</u>	<u>29,894</u>	<u>33,714</u>	<u>32,076</u>	<u>22,416</u>
Business-type activities								
Charges for services:								
Water Utility	10,148	10,779	12,265	12,430	13,224	14,523	14,937	13,873
Recycled Water Utility	680	747	878	1,017	1,086	1,203	1,323	1,288
Sewer Utility	7,826	6,547	7,472	8,253	8,966	9,833	10,041	9,849
Operating grants and contributions	857							
Capital grants and contributions	3,400	8,937	1,602	604	3,854	2,418	956	471
Total business-type activities program revenue	<u>22,911</u>	<u>27,010</u>	<u>22,217</u>	<u>22,304</u>	<u>27,130</u>	<u>27,977</u>	<u>27,257</u>	<u>25,481</u>
Total primary government program revenues	<u>\$43,977</u>	<u>\$44,856</u>	<u>\$47,454</u>	<u>\$47,370</u>	<u>\$57,024</u>	<u>\$61,691</u>	<u>\$59,333</u>	<u>\$47,897</u>
Net (Expense)/Revenue								
Governmental activities	(\$54,537)	(\$65,058)	(\$62,189)	(\$66,033)	(\$64,065)	(\$60,461)	(\$68,576)	(\$74,717)
Business-type activities	8,001	11,435	5,920	6,349	9,918	8,757	6,583	48
Total primary government net expense	<u>(\$46,536)</u>	<u>(\$53,623)</u>	<u>(\$56,269)</u>	<u>(\$59,684)</u>	<u>(\$54,147)</u>	<u>(\$51,704)</u>	<u>(\$61,993)</u>	<u>(\$74,669)</u>

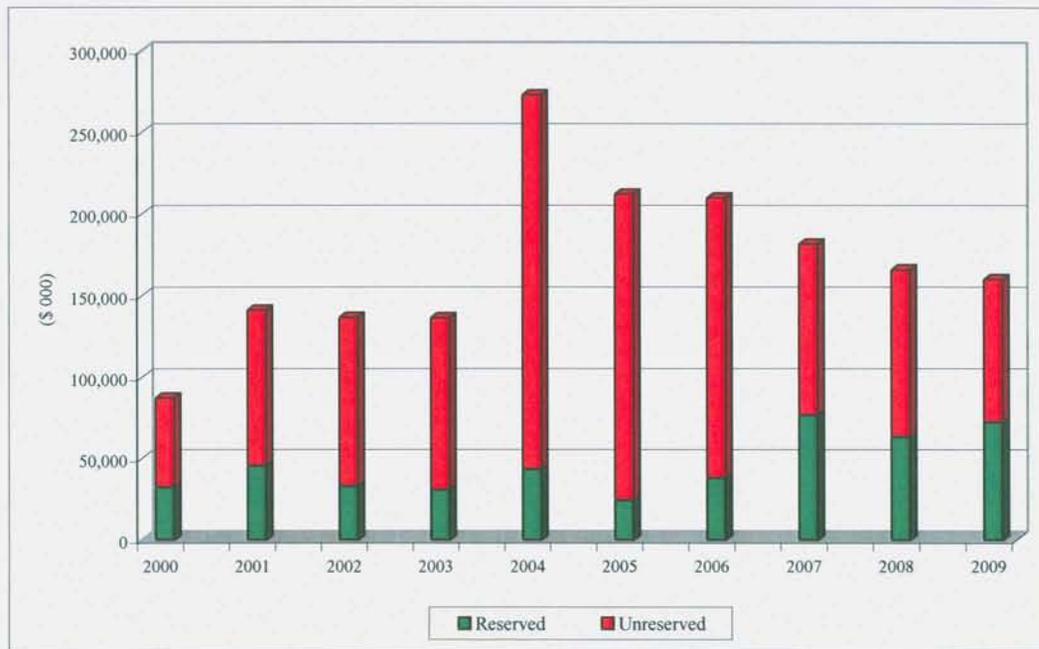
CITY OF MILPITAS
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year Ended June 30							
	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets								
Governmental activities								
Taxes:								
Property taxes	\$42,081	\$39,823	\$36,788	\$38,913	\$44,026	\$44,565	\$49,061	\$53,917
Less: Educational Revenue Augmentation Fund								
Fund payment		(1,010)	(1,950)	(2,993)	(2,422)			
Sales and use taxes	14,298	12,573	12,065	13,816	15,613	16,765	15,551	15,670
Hotel/Motel taxes	5,791	4,953	4,717	4,986	5,669	6,427	7,195	5,550
Other taxes	146	152	138	132	133	125	602	416
Franchise fees	2,882	2,674	2,650	2,772	2,643	2,912	2,968	3,151
Motor vehicle in lieu	3,561	3,680	2,969	421	1,548	357	296	237
Investment earnings	3,019	2,611	(2,427) (a)	1,069	1,302	2,225	4,100	4,253
Gain on sale of capital assets					12	18,257	34	35
Miscellaneous	164	54	258	332	856	355	109	92
Redevelopment expense				(102,281) (b)				
Transfers	3,687	4,920	8,213	4,294	6,633	2,638	3,411	4,029
Total government activities	<u>75,629</u>	<u>70,430</u>	<u>63,421</u>	<u>(38,539)</u>	<u>76,013</u>	<u>94,626</u>	<u>83,327</u>	<u>87,350</u>
Business-type activities								
Investment earnings	1,807	1,417	1,068 (a)	627	924	1,714	2,580	1,756
Loss on adjustment of capital assets valuation		(2,073)						
Transfers	(3,687)	(4,920)	(8,213)	(4,294)	(6,633)	(2,638)	(3,411)	(4,029)
Total business-type activities	<u>(1,880)</u>	<u>(5,576)</u>	<u>(7,145)</u>	<u>(3,667)</u>	<u>(5,709)</u>	<u>(924)</u>	<u>(831)</u>	<u>(2,273)</u>
Total primary government	<u>\$73,749</u>	<u>\$64,854</u>	<u>\$56,276</u>	<u>(\$42,206)</u>	<u>\$70,304</u>	<u>\$93,702</u>	<u>\$82,496</u>	<u>\$85,077</u>
Change in net assets								
Governmental activities	\$21,092	\$5,372	\$1,232	(\$104,572)	\$11,948	\$34,165	\$14,751	\$12,633
Business-type activities	6,121	5,859	(1,225)	2,682	4,209	7,833	5,752	(2,225)
Total primary government	<u>\$27,213</u>	<u>\$11,231</u>	<u>\$7</u>	<u>(\$101,890)</u>	<u>\$16,157</u>	<u>\$41,998</u>	<u>\$20,503</u>	<u>\$10,408</u>

The City of Milpitas implemented GASB 34 for the fiscal year ended June 30, 2002. Information prior to the implementation of GASB 34 is not available.

- (a) In 2004, the fair value of the City's investments decreased \$3,764 K in government activities and \$55K in business-type activities.
- (b) In 2005, the Redevelopment Agency agreed to purchase two parcels of land from the County of Santa Clara.

CITY OF MILPITAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)
 (Dollars in Thousands)



	Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 2,086	\$ 3,075	\$ 3,458	\$ 1,434	\$ 2,366	\$ 1,344	\$ 1,315	\$ 21,753	\$ 21,749	\$ 21,542
Unreserved	18,969	32,998	36,588	37,529	30,636	26,699	27,966	26,716	29,359	29,293
Total General Fund	<u>\$ 21,055</u>	<u>\$ 36,073</u>	<u>\$ 40,046</u>	<u>\$ 38,963</u>	<u>\$ 33,002</u>	<u>\$ 28,043</u>	<u>\$ 29,281</u>	<u>\$ 48,469</u>	<u>\$ 51,108</u>	<u>\$ 50,835</u>
All Other Governmental Funds										
Reserved	\$30,310	\$42,427	\$29,489	\$29,351	\$41,131	\$23,049	\$36,812	\$54,763	\$41,416	\$50,608
Unreserved, reported in:										
Special revenue funds	(6,744)	(2,315)	3,454	8,113	19,493	23,745	3,524	4,025	4,213	4,603
Capital project funds	42,775	64,996	63,454	59,127	179,291	137,415	140,259	74,178	69,028	53,845
Debt service funds	0	0	185	966	0	0	0	0	0	0
Total all other governmental funds	<u>\$66,341</u>	<u>\$105,108</u>	<u>\$96,582</u>	<u>\$97,557</u>	<u>\$239,915</u>	<u>\$184,209</u>	<u>\$180,595</u>	<u>\$132,966</u>	<u>\$114,657</u>	<u>\$109,056</u>

CITY OF MILPITAS
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST EIGHT FISCAL YEARS
 (modified accrual basis of accounting)
 (Dollars in Thousands)

	Fiscal Year Ended June 30							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues								
Property taxes	\$41,782	\$39,520	\$36,186	\$38,337	\$43,155	\$44,289	\$49,060	\$53,917
Less: Educational Revenue								
Augmentation Fund payment		(1,010)	(1,950)	(2,993)	(2,422)			
Sales taxes	15,009	13,222	12,655	14,409	16,228	17,383	16,173	16,251
Other taxes	9,572	8,509	8,555	9,066	10,003	10,508	11,636	9,937
Licenses and fines	2,974	2,431	3,020	4,328	7,357	6,958	5,991	4,619
Use of money and property	8,948	7,086	2,515 (a)	6,149	6,260	8,292	11,096	8,984
Intergovernmental	8,587	9,442	11,124	4,914	6,045	5,589	4,092	6,004
Charges for services	2,683	2,721	3,277	3,842	4,165	4,715	4,612	4,146
Developer contributions	1,536	823	3,452	1,439	5,010	1,217	2,884	2,558
Other	458	361	798	4,097	1,186	8,978	584	816
Total Revenues	<u>91,549</u>	<u>83,105</u>	<u>79,632</u>	<u>83,588</u>	<u>96,987</u>	<u>107,929</u>	<u>106,128</u>	<u>107,232</u>
Expenditures								
Current:								
General government	10,391	11,245	10,365	13,026	15,608	34,136	15,079	17,834
Building and safety	2,368	2,389	1,978	2,075	2,226	2,232	2,566	2,420
Public works	7,171	7,085	7,130	7,736	7,789	10,646 (d)	11,016	10,066
Engineering and planning	8,381	6,262	5,983	6,444	6,581		(d)	
Planning and neighborhood services						2,329 (d)	2,528	2,576
Recreation	3,532	3,806	3,860	4,199	4,284		(d)	
Parks and recreation						6,486 (d)	6,513	6,416
Police	15,740	17,197	18,384	19,723	20,167	20,081	21,701	21,602
Fire	11,218	11,957	12,864	15,363	14,312	13,717	14,664	15,279
Capital outlay	30,227	17,431	11,169	15,998	16,861	46,076	33,133	21,585
Payments under developer agreements	210	98	127					
Debt service:								
Principal	6,260	6,470	8,860	6,605	8,559	8,508	8,490	8,481
Interest and fees	4,198	4,194	9,686	9,379	9,424	15,250	11,528	11,516
Total Expenditures	<u>99,696</u>	<u>88,134</u>	<u>90,406</u>	<u>100,548</u>	<u>105,811</u>	<u>159,461</u>	<u>127,218</u>	<u>117,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,147)</u>	<u>(5,029)</u>	<u>(10,774)</u>	<u>(16,960)</u>	<u>(8,824)</u>	<u>(51,532)</u>	<u>(21,090)</u>	<u>(10,543)</u>
Other Financing Sources (Uses)								
Proceeds from debt issuance			200,000			20,455		
Bond issuance premium			5,372					
Payments to refunded debt escrow agent			(67,164)					
Proceeds from sale of properties							1,868	14
Transfers in	47,363	42,620	124,899	23,095	28,523	22,561	20,420	23,278
Transfers (out)	<u>(43,681)</u>	<u>(37,700)</u>	<u>(115,936)</u>	<u>(18,801)</u>	<u>(22,075)</u>	<u>(19,924)</u>	<u>(16,869)</u>	<u>(18,624)</u>
Total other financing sources (uses)	<u>3,682</u>	<u>4,920</u>	<u>147,171</u>	<u>4,294</u>	<u>6,448</u>	<u>23,092</u>	<u>5,419</u>	<u>4,668</u>
Special Item								
Redevelopment expense				(48,000) (b)				
Net Change in fund balances	<u>(\$4,465)</u>	<u>(\$109)</u>	<u>\$136,397</u>	<u>(\$60,666)</u>	<u>(\$2,376)</u>	<u>(\$28,440)</u>	<u>(\$15,671)</u>	<u>(\$5,875)</u>
Debt service as a percentage of noncapital expenditures	17.8%	17.8%	30.6%	23.3%	25.3%	26.5%	27.0%	26.2%

The City of Milpitas has elected to show only eight years of data for this schedule (c).

(a) In 2004, the fair value of the investments decreased \$3,764 K in governmental activities.

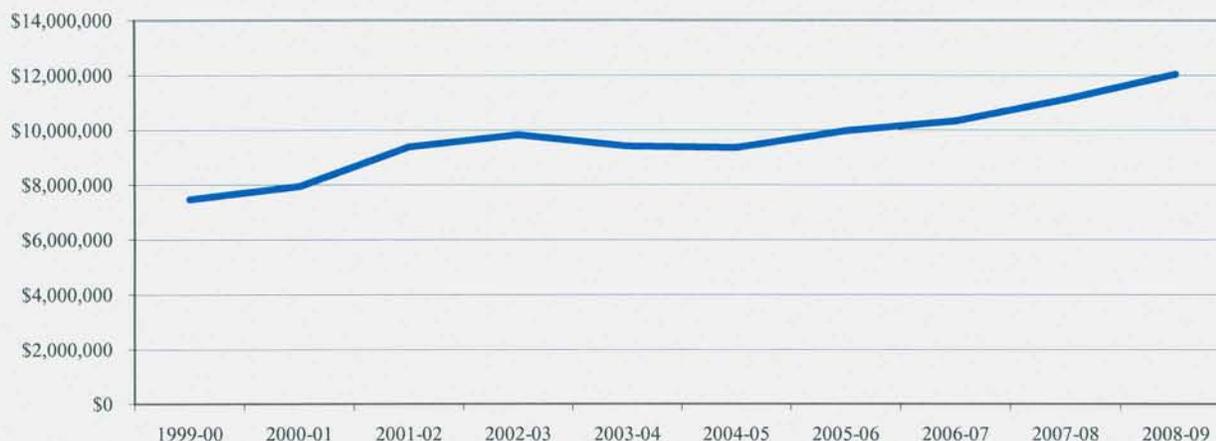
(b) In 2005, the Redevelopment Agency made a cash payment of \$48,000 K to the County of Santa Clara for two parcels of land.

(c) The categories of expenditures in governmental funds were presented differently after fiscal year 2002 due to the implementation of GASB Statement 34.

Data prior to 2002 was omitted due to comparability of the statements.

(d) The City departments were reorganized in fiscal 2007.

CITY OF MILPITAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Dollars in Thousands)



Fiscal Year	Real Property				Unsecured	Less: Tax-Exempt Property	Total Taxable Assessed Value (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other				
1999-00	N/A	N/A	N/A	N/A	N/A	N/A	\$7,455,656	1%
2000-01	\$3,413,377	\$790,469	\$1,791,693	\$536,246	\$1,482,114	(\$81,540)	7,932,359	1%
2001-02	3,417,125	779,136	2,166,036	1,274,151	1,825,539	(85,563)	9,376,424	1%
2002-03	3,746,467	835,889	2,502,123	1,016,922	1,833,384	(111,940)	9,822,845	1%
2003-04	4,377,568	964,438	2,340,453	227,739	1,595,224	(107,860)	9,397,562	1%
2004-05	4,572,065	798,350	2,095,928	603,547	1,379,444	(110,377)	9,338,957	1%
2005-06	4,952,629	814,287	2,032,245	641,662	1,651,527	(131,810)	9,960,540	1%
2006-07	5,513,377	1,141,925	2,179,658	328,782	1,284,778	(129,187)	10,319,333	1%
2007-08	5,974,338	1,208,674	2,423,285	320,499	1,329,060	(146,495)	11,109,361	1%
2008-09	6,345,176	1,350,579	2,806,181	307,980	1,437,414	(\$220,624)	12,026,706	1%

Source: Hdl Coren & Cone, Santa Clara County Assessor Combined Tax Rolls

Note:

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent 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 state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

CITY OF MILPITAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS
 (Rate per \$100 of assessed value)

Fiscal Year	City Direct Rates		Overlapping Rates (a)		
	Basic Rate (b)	Total Direct	County of Santa Clara	School Districts	Special Districts
1999-00	\$1.00	\$1.00	\$0.0343	\$0.0601	\$0.0085
2000-01	1.00	1.00	0.0380	0.0615	0.0075
2001-02	1.00	1.00	0.0388	0.0496	0.0062
2002-03	1.00	1.00	0.0412	0.0567	0.0072
2003-04	1.00	1.00	0.0412	0.0582	0.0087
2004-05	1.00	1.00	0.0412	0.0624	0.0092
2005-06	1.00	1.00	0.0412	0.0509	0.0078
2006-07	1.00	1.00	0.0412	0.0518	0.0072
2007-08	1.00	1.00	0.0412	0.0874	0.0071
2008-09	1.00	1.00	0.0412	0.0874	0.0061

Source: County of Santa Clara, Tax Rates & Information

Notes:

- (a) Overlapping rates are those of local and county governments that apply to property owners within the City of Milpitas. Not all overlapping rates apply to all Milpitas property owners. These are voter approved levies in addition to the 1% State levy.
- (b) The City's basic property tax rate can only be increased by a 2/3 vote of the City's residents.

CITY OF MILPITAS
 PRINCIPAL PROPERTY TAX PAYERS
 FISCAL YEARS 2008-09 and 1999-2000
 (Dollars in thousands)

Taxpayer	2008-09			1999-2000			
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	
Cisco Technology Inc.	\$ 434,481	1	3.61%				
Milpitas Mills LP	298,758	2	2.48%				
Silicon Valley California LLC	201,629	3	1.68%				
KLA Tencor Corporation	188,050	4	1.56%	\$ 51,157	9	0.69%	
Diversified Real Estate Investors	182,629	5	1.52%				
Headway Technologies	116,748	6	0.97%				
Linear Technology Corporation	113,093	7	0.94%				
Seagate Technology LLC	102,174	8	0.85%				
Trinet Milpitas Associates LLC	95,007	9	0.79%	136,500	2	1.83%	
BRE Milpitas LLC	91,800	10	0.76%				
Richard T. Peery Trustee & Et. Al.				155,727	1	2.09%	
Lucent Technologies Inc.				128,845	3	1.73%	
Quantum Corporation				101,472	4	1.36%	
Lease Plan USA				90,559	5	1.21%	
RFS Partnership Limited Partnership				69,923	6	0.94%	
Limar Realty Corporation				65,375	7	0.88%	
LSI Logic Corporation				51,997	8	0.70%	
Shapell Industries, Inc.				48,486	10	0.65%	
Subtotal	\$ 1,824,369		15.17%	\$ 900,041		12.07%	
Fiscal Year 2008-2009 Total Net Assessed Valuation			\$12,026,706	Fiscal Year 1999-2000 Total Net Assessed Valuation			\$7,455,656

Source: Hdl, Coren & Cone, Santa Clara County Assessor 2008/09 Combined Tax Rolls

CITY OF MILPITAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Dollars in thousands)

<u>Fiscal Year</u>	<u>Taxes Levied (a)</u>	<u>Current Collections (a)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Taxes Collected (a)</u>	<u>Percent of Levy</u>
1999-00	\$31,831	\$31,831	100.00%	\$0	\$31,831	100.00%
2000-01	34,592	34,592	100.00%	0	34,592	100.00%
2001-02	41,782	41,782	100.00%	0	41,782	100.00%
2002-03	39,520	39,520	100.00%	0	39,520	100.00%
2003-04	36,186	36,186	100.00%	0	36,186	100.00%
2004-05	38,337	38,337	100.00%	0	38,337	100.00%
2005-06	43,155	43,155	100.00%	0	43,155	100.00%
2006-07	44,289	44,289	100.00%	0	44,289	100.00%
2007-08	49,060	49,060	100.00%	0	49,060	100.00%
2008-09	53,917	53,917	100.00%	0	53,917	100.00%

(a) The City elected to participate in the "Teeter" plan offered by the County whereby cities receive 100% of the taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

Source: City of Milpitas Comprehensive Financial Annual Report

CITY OF MILPITAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Dollars in thousands, except per capita)

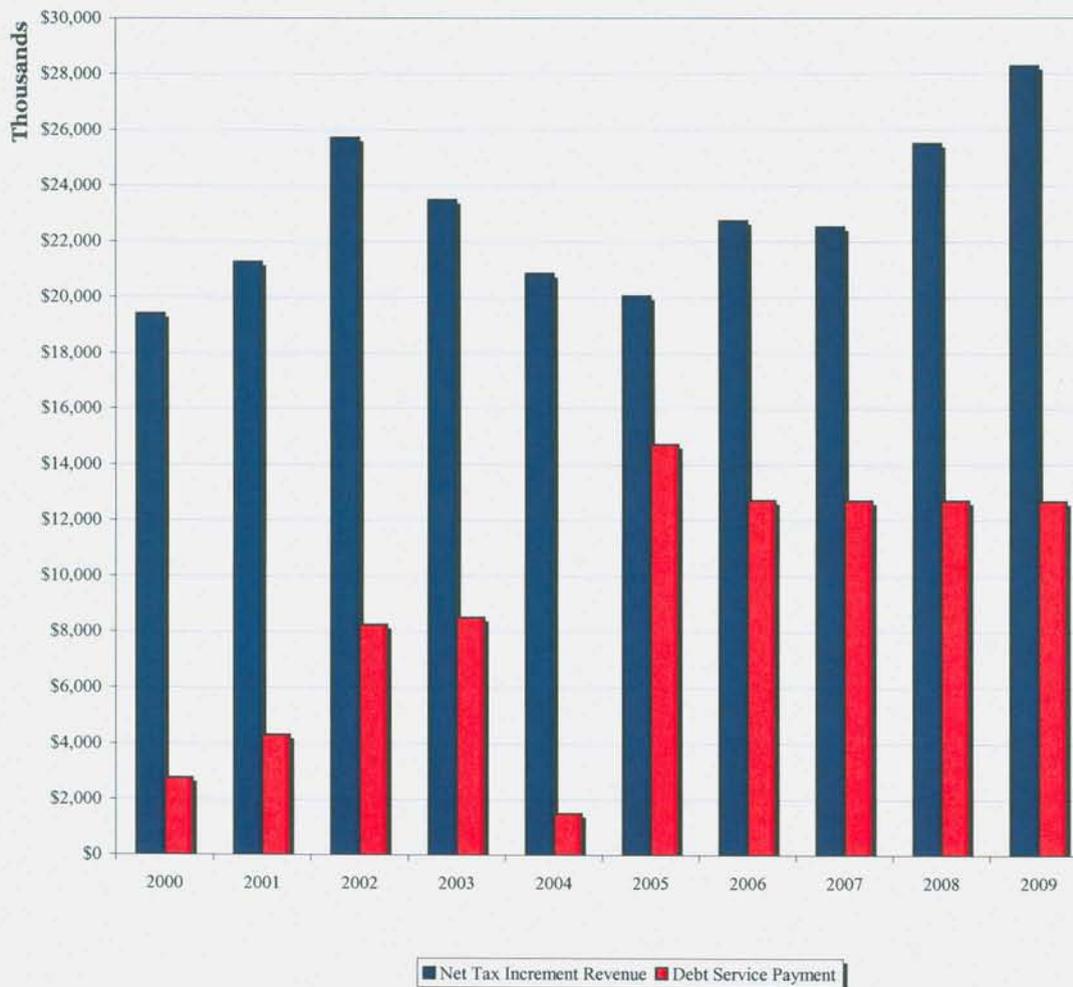
Fiscal Year	Governmental Activities				Business-type Activities	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Sales Tax Revenue Bonds	Certificates of Participation	Tax Allocation Bonds	Installment Purchase Agreement	Certificates of Participation			
1999-00	0	0	\$46,205	0	0	\$46,205	1.61%	\$708
2000-01	\$8,795	\$8,610	73,155	0	0	90,560	2.65%	1,429
2001-02	8,335	7,640	68,325	0	0	84,300	2.70%	1,322
2002-03	7,855	6,680	63,295	0	0	77,830	2.60%	1,196
2003-04	0	5,675	200,000	0	0	205,675	6.92%	3,182
2004-05	0	4,630	194,440	\$54,281	0	253,351	7.95%	3,898
2005-06	0	3,540	190,780	50,471	0	244,791	7.50%	3,750
2006-07	0	2,410	187,030	46,843	\$9,535	245,818	6.71%	3,693
2007-08	0	1,230	183,175	43,388	9,160	236,953	5.79%	3,413
2008-09	0	0	179,215	40,097	8,815	228,127	(b)	3,221

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 15 for personal income and population data.

(b) Data for fiscal year 2008-09 not available until May of 2010.

CITY OF MILPITAS
BONDED DEBT PLEDGED REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS



Fiscal Year	Redevelopment Agency Property Tax Increments	Less Housing Reserve Fund	Net Tax Increment Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2000	\$24,282,112	\$4,865,649	\$19,416,463	\$810,000	\$1,967,521	\$2,777,521	6.99
2001	26,579,328	5,315,867	21,263,461	1,845,000	2,464,912	4,309,912	4.93
2002	32,387,027	6,667,458	25,719,569	4,830,000	3,426,503	8,256,503	3.12
2003	29,511,358	6,023,817	23,487,541	5,030,000	3,482,488	8,512,488	2.76
2004	26,171,147	5,315,246	20,855,901	0 (a)	1,494,048	1,494,048	13.96
2005	25,215,408	5,160,555	20,054,853	5,560,000	9,163,896	14,723,896	1.36
2006	28,606,441	5,867,736	22,738,705	3,660,000	9,062,546	12,722,546	1.79
2007	28,413,636	5,886,749	22,526,887	3,750,000	8,965,234	12,715,234	1.77
2008	32,259,656	6,740,250	25,519,406	3,855,000	8,860,665	12,715,665	2.01
2009	36,167,427	7,876,041	28,291,386	3,960,000	8,728,458	12,688,458	2.23

(a) The Agency issued the 2003 Tax Allocation Bonds and refunded the prior outstanding debt issues. Therefore, no principal payments were due in that fiscal year.

CITY OF MILPITAS
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2009

JURISDICTION	PERCENTAGE APPLICABLE TO CITY OF MILPITAS (1)	AMOUNT APPLICABLE TO CITY OF MILPITAS
2008-09 Assessed Valuation, Direct and Overlapping Debt		<u>\$8,448,037,559</u>
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Santa Clara County	3.119%	\$10,916,500
Santa Clara Valley Water District, Zone W-1	3.113%	43,271
San Jose- Evergreen Community College District	9.136%	22,517,693
Milpitas Unified School District	98.555%	50,194,062
East Side Union High School District	0.492%	2,356,420
Berryessa Union School District	2.939%	1,283,403
Santa Clara Valley Water District Benefits Assessment District	3.119%	5,036,717
City of Milpitas 1915 Act Bonds	100.000%	<u>20,865,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		<u>113,213,066</u>
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>		
Santa Clara County General Fund Obligations	3.119%	26,906,209
Santa Clara County Pension Obligations	3.119%	12,138,363
Santa Clara County Board of Education Certificates of Participation	3.119%	453,191
East Side Union High School District Other Post Employment Benefit (OPEB) Bonds	0.492%	157,219
Santa Clara County Vector District Certifications of Participations	3.119%	<u>128,659</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		<u>39,783,641</u>
COMBINED TOTAL DEBT		<u>\$152,996,707 (2)</u>

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 0.94%

Ratios to Assessed Valuation:

Direct Debt % 0.00%
Total Gross Debt % 1.81%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: California Municipal Statistics, Inc.

CITY OF MILPITAS
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (Dollars in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2008-09

Assessed value (net) - June 30, 2009		<u>\$12,026,706</u>
Debt limit: 3.75% of assessed value (a)		\$451,001
Debt applicable to limit		
Total Bonded Debt	\$179,215	
Less: Tax Allocation Bonds not subject to limit	179,215	
Amount of Debt subject to limit		<u>0</u>
Legal debt margin		<u>\$451,001</u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a percentage of Debt Limit
1999-00	\$279,587	\$0	\$279,587	0.0%
2000-01	297,492	0	297,492	0.0%
2001-02	351,616	0	351,616	0.0%
2002-03	368,356	0	368,356	0.0%
2003-04	352,408	0	352,408	0.0%
2004-05	350,211	0	350,211	0.0%
2005-06	373,520	0	373,520	0.0%
2006-07	386,975	0	386,975	0.0%
2007-08	416,601	0	416,601	0.0%
2008-09	451,001	0	451,001	0.0%

(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in being assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: City of Milpitas Finance Department
 Santa Clara County Tax Assessor's Office

CITY OF MILPITAS
 INSTALLMENT PAYMENT COVERAGE
 SEWER CERTIFICATES OF PARTICIPATION
 LAST THREE FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Installment Payments			Coverage
				Principal	Interest	Total	
2006-07	\$10,922,512	\$5,960,109	\$4,962,403	\$0	\$198,207	\$198,207	25.04
2007-08	11,508,195	6,208,050	5,300,145	375,000	353,893	728,893	7.27
2008-09	10,703,586	9,838,790	864,796	345,000	406,212	751,212	1.15

NOTE: The Certificates of Participation were issued on November 28, 2006.

- (1) Gross Revenues include sewer service charges, other operating revenues, and interest income. Gross Revenues exclude connection fees and capital contributions.
- (2) Operating Expenses include sewer treatment services, personnel services, services and supplies, and repairs and maintenance expenses. Operating Expenses exclude depreciation and amortization expenses.

CITY OF MILPITAS
BIMONTHLY SEWER RATES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS

Fiscal Year	Residential			Commercial		(a)
	Single Family Per Dwelling Unit	Multi-Family Per Dwelling Unit	Mobile Home Parks Per Dwelling Unit	Flat Rate	Quantity Charges	
1999-00	\$42.29	\$30.27	\$17.93	\$7.14	\$0.02 - 3.08	
2000-01	42.29	30.19	18.69	7.14	0.01 - 3.75	
2001-02	42.29	30.19	18.69	7.14	0.01 - 3.37	
2002-03	42.29	30.19	18.69	7.14	0.01 - 3.37	
2003-04	46.10	33.82	21.27	7.78	0.01 - 5.12	
2004-05	50.25	36.48	22.76	8.48	0.01 - 4.89	
2005-06	54.77	39.49	24.57	9.24	0.02 - 3.50	
2006-07	59.70	43.14	26.88	10.08	0.02 - 3.93	
2007-08	59.70	43.14	26.88	10.08	0.02 - 3.93	
2008-09	59.70	43.14	26.88	10.08	0.02 - 3.93	

Source: City of Milpitas, Engineering Department

(a) For each one hundred cubic feet of water used. Charge varies depending on the business or type of business.

CITY OF MILPITAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (Dollars in Thousands)

Fiscal Year	Population	Population Density (Sq. Mile)	Per Capita Personal Income (a)	School Enrollment	Unemployment Rate (%) (a)	Land Area (Sq. Mile)
1999-00	65,254	4,777	\$44	9,925	3.50%	13.66
2000-01	63,395	4,641	54	9,702	5.00%	13.66
2001-02	63,768	4,668	49	9,424	8.70%	13.66
2002-03	65,049	4,762	46	9,516	9.30%	13.66
2003-04	64,629	4,731	46	9,528	6.90%	13.66
2004-05	64,998	4,758	49	9,602	5.60%	13.66
2005-06	65,276	4,779	50	9,748	4.40%	13.66
2006-07	66,568	4,873	55	9,682	4.70%	13.66
2007-08	69,419	5,082	59	9,590	5.90%	13.66
2008-09	70,817	5,184	(b)	9,649	11.80%	13.66

(a) For Santa Clara County.

(b) Data for fiscal year 2008-09 is not available until May of 2010.

Sources: California Department of Education
 California Employment Development Department
 State of California, Department of Finance.
 U.S. Department of Commerce, Bureau of Economic Analysis

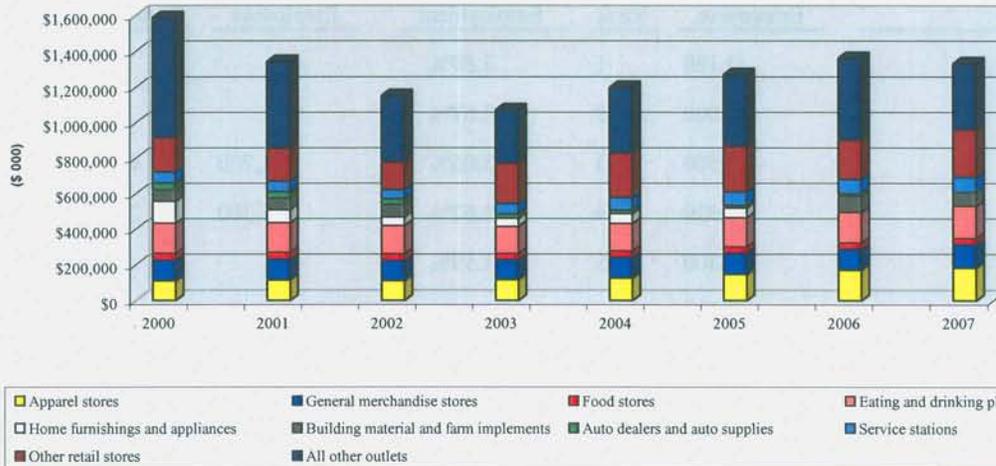
CITY OF MILPITAS
PRINCIPAL EMPLOYERS
FISCAL YEAR 2007-08 and 1999-2000

Employer	2007-08 (a)			1999-2000		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Great Mall	3,180	1	3.89%			
Cisco Systems, Inc.	3,000	2	3.67%			
Lifescan, Inc.	2,500	3	3.06%	1,700	4	2.08%
LSI Logic Corporation	1,320	4	1.62%	6,300	2	7.72%
Flextronics	1,300	5	1.59%			
SanDisk Corporation	1,100	6	1.35%			
KLA-Tencor Corporation	1,000	7	1.22%	1,400	5	1.71%
Linear Technology	1,000	7	1.22%	1,009	7	1.24%
Milpitas Unified School District	871	9	1.07%			
JDS Uniphase Corporation	800	10	0.98%			
Solectron California				6,400	1	7.84%
Quantum				2,700	3	3.31%
Adaptec, Inc.				1,200	6	1.47%
Lucent Technologies				1,000	8	1.22%
Seagate Technology				1,000	8	1.22%
Read Rite				913	10	1.12%
Subtotal	<u>16,071</u>		<u>19.68%</u>	<u>23,622</u>		<u>28.93%</u>
Estimated City Day Population, Census 2000			81,646			81,646

(a) Data for fiscal year 2008-09 is not available until December 2009.

Source: Association of Bay Area Governments
Milpitas Chamber of Commerce

**CITY OF MILPITAS
TAXABLE SALES BY CATEGORY
LAST NINE CALENDAR YEARS
(Dollars in Thousands)**



	CALENDAR YEARS								
	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apparel stores	\$99,089	\$109,258	\$113,729	\$109,078	\$114,599	\$123,583	\$145,317	\$168,985	\$181,878
General merchandise stores	106,071	117,006	118,362	115,336	113,574	119,471	120,297	118,348	131,594
Food stores	34,461	37,075	37,302	35,830	33,765	32,950	33,592	34,979	34,362
Eating and drinking places	136,510	170,825	166,174	159,420	152,736	156,318	164,694	173,424	181,668
Home furnishings and appliances	66,492	123,801	72,493	48,513	45,497	54,460	54,906	(a)	(a)
Building material and farm implements	61,846	66,251	66,570	70,600	(a)	(a)	(a)	91,571	79,360
Auto dealers and auto supplies	33,388	38,105	38,684	32,433	25,558	19,990	15,132	12,221	(a)
Service stations	49,424	61,244	58,395	52,369	58,491	71,231	76,455	82,868	85,468
Other retail stores	174,803	194,086	184,594	156,196	227,373	251,599	255,805	220,862	266,915
All other outlets	571,419	673,677	489,438	373,179	301,404	370,253	405,111	460,265	373,394
Total	\$1,333,503	\$1,591,328	\$1,345,741	\$1,152,954	\$1,072,997	\$1,199,855	\$1,271,309	\$1,363,523	\$1,334,639
City Direct sales tax rate	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

(a) Sales omitted because their publication would result in the disclosure of confidential information. The numbers are included with "Other retail stores".

Source: California State Board of Equalization

CITY OF MILPITAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	Santa Clara County	State of California
1999-00	1.00	1.25	5.75
2000-01	1.00	1.25	5.75
2001-02	1.00	1.25	6.00
2002-03	1.00	1.25	6.00
2003-04	1.00	1.25	6.00
2004-05	1.00	1.25	6.00
2005-06	1.00	1.25	6.00
2006-07	1.00	1.25	6.00
2007-08	1.00	1.25	6.00
2008-09	1.00	1.25	7.00 (a)

Source: California State Board of Equalization

(a) April 1, 2009 the State increased the State Rate 1%

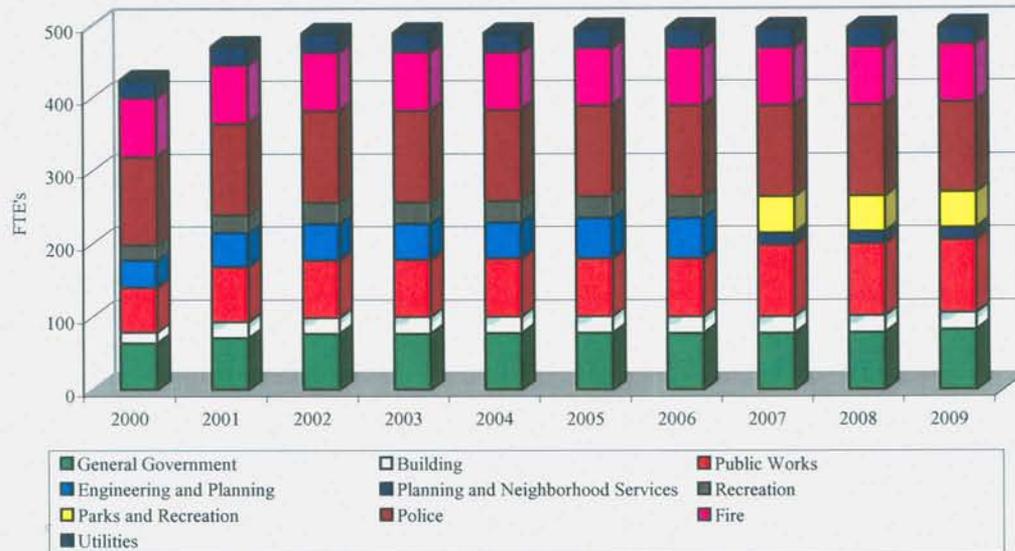
Note: The City's sales tax rate may be changed only with approval of the State Legislature.

CITY OF MILPITAS
 PRINCIPAL SALES TAX PAYERS
 CALENDAR YEARS 2008 and 1999
 IN ALPHABETICAL ORDER

2008	1999
Avaya Communications	Acropolis Systems
Best Buy Stores	ADAC Laboratories
Burlington Coat Factory	Adaptec
Chevron Service Stations	Arcom Electronics Inc.
Cisco Systems Inc.	Best Buy Stores
Contract Office Group	Billings Chevrolet
Credence Systems	Burlington Coat Factory
Dave & Busters	Contract Office Group
Flextronics America	Divicom
Headway Technologies	Dynamic Circuits
Home Depot	GAP Stores
KLA Tencor Corporation	Hanson Concrete Products
Kohl's Department Stores	Home Depot
Life Scan	KLA-Tencor Corporation
Marshall's Stores	Life Scan Inc
Mervyn's Department Store	Lindsay_Ferrari, Inc.
Milpitas Materials Company	Marshall Industries
Neiman Marcus Department Store	Marshall's Store
One Workplace	Mervyn's Department Stores
Piercey Toyota & Scion	Milpitas Materials Company
Saks Fifth Avenue	Octel Communications
Shell Service Stations	Orchard Supply Hardware
Sportmart	Saks Fifth Avenue
Tesoro Service Stations	Sun Microsystems
Wal-Mart Stores	Wal-Mart Stores

Source: MBIA MuniServices Company

CITY OF MILPITAS
AUTHORIZED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS



Function	Adopted for Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government	63.3	70.3	76.3	76.3	77.0	77.3	77.0	77.0	78.0	82.0
Building and Safety	15.0	22.0	22.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Public Works	61.0	75.0	78.0	78.0	79.0	78.8	79.0	97.0 (a)	98.0	99.0
Engineering and Planning	38.0	47.5	50.5	49.5	49.5	55.5	55.5	(a)		
Planning and Neighborhood Services								16.5 (a)	16.5	17.0
Recreation	20.0	23.5	28.5	29.0	29.0	29.0	29.0	(a)		
Parks and Recreation								50.0 (a)	49.0	48.5
Police:										
Sworn Police	89.0	94.0	94.0	94.0	94.0	94.0	94.0	94.0	94.0	94.5
Civilians	32.5	31.5	31.5	31.5	30.5	30.5	30.5	30.5	30.5	29.0
Fire:										
Firefighters and Safety	71.0	71.0	71.0	71.0	70.0	70.0	70.0	70.0	70.0	70.0
Civilians	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Utilities	25.0	26.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	25.0
Total	424.8	470.8	488.8	489.3	489.0	495.0	495.0	495.0	496.0	498.0

(a) The City departments were reorganized in fiscal year 2007.

Source: City of Milpitas, final budget

CITY OF MILPITAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2000	2001	2002	2003	2004
Building and Safety					
Building permits issued	1,585	1,690	1,735	1,777	1,650
Plan checked performed	432	410	340	536	590
Public Works					
Street miles maintained	126	136	137	137	137
Customer Service Requests	6,300	4,300	4,150	4,000	3,506
Development projects reviewed	170	160	150	115	n/a
Planning and Neighborhood Services					
Customer Service Requests/Violations abated	1,758	1,831	2,023	2,065	1,656
Applications to Planning Commission	141	101	110	93	100
Parks and Recreation					
Sports Center members	n/a	n/a	2,741	4,398	5,800
Senior nutrition meals served	n/a	23,727	23,886	23,886	16,139
Athletic Field maintenance (hours)	n/a	n/a	n/a	n/a	4,098
Police					
Avg response time to emergency calls (minutes)	n/a	n/a	n/a	n/a	3:35
Number of anti-terrorist patrol checks	n/a	n/a	n/a	2,924	7,649
Crime prevention presentations	n/a	191	191	175	201
Number of vehicle citations issued	n/a	16,003	12,804	15,312	15,041
DARE presentations: schools/students	14/1,528	14/1,795	14/1,468	14/1,456	13/1,610
Fire					
Emergency calls for service	3,802	3,250	3,550	3,850	4,100
Public education events	110	120	140	75	73
Permits Inspections	3,742	3,500	3,750	2,160	1,909
Plan Review	950	1,070	1,420	660	786
Utility					
Clean sewer lines (feet)	687,724	800,000	552,000	347,670	358,610
Repair, replace or set water meters	569	700	678	399	341
Average daily consumption (thousands of gallons)	11,095	11,587	10,290	11,120	11,222

Source: City of Milpitas, final budget

Fiscal Year				
2005	2006	2007	2008	2009
3,156	3,788	3,500	3,500	3,500
650	1,181	1,000	1,000	1,000
138	139	139	139	139
3,500	3,326	3,208	3,500	3,924
n/a	293	190	150	100
1,620	1,802	1,470	1,100	1,250
120	150	165	150	112
6,500	7,508	7,885	8,278	8,500
16,932	19,421	20,667	21,165	23,228
1,947	1,947	1,947	1,946	2,242
3:44	3:12	3:06	3:06	2:46
10,664	12,813	12,300	3,500	3,500
180	179	190	240	275
14,453	14,161	10,624	12,386	11,558
14/1579	13/1538	14/1572	14/1492	13/1440
4,200	4,250	4,000	4,368	4,300
73	70	65	80	70
2,514	4,231	4,300	5,400	4,000
845	1,005	1,000	750	995
500,000	500,000	500,000	500,000	500,000
422	425	600	580	700
10,090	9,162	9,693	9,566	8,870

CITY OF MILPITAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year				
	2000	2001	2002	2003	2004
Public Works					
Miles of streets	127	137	137	137	137
Street lights	4,976	n/a	4,262	4,281	4,324
Square feet of buildings maintained (in thousands)	215	215	252	299	344
City vehicles	483	490	657	618	626
Signs	6,300	6,300	6,900	7,050	7,150
Signal lights	64	64	64	66	68
City Parks	28	28	24	26	24
Acres of Parkland	178	178	178	161	171
Playgrounds	26	26	26	26	26
Parks and recreation					
Community centers	1	1	1	1	1
Senior centers	1	1	1	1	1
Sports centers	1	1	1	1	1
Swimming pools	4	4	3	3	3
Tennis courts	24	24	24	24	24
Football field	1	1	1	1	1
Baseball fields	21	21	21	21	21
Soccer fields	10	10	10	10	13
Basketball courts	5	5	5	5	5
Volleyball courts	7	7	7	7	7
Handball courts	4	4	4	4	4
Police					
Police stations	1	2	2	2	2
Police patrol vehicles	27	28	28	30	30
Fire					
Fire stations	4	4	4	4	4
Fire Apparatus	10	10	10	11	15
Fire hydrants	1,650	1,656	1,661	1,670	1,739
Utility					
Miles of water mains	197	198	198	199	202
Water Tank Storage capacity (million of gallons)	15.64	15.64	15.64	15.64	15.64
Miles of sanitary sewers	166	166	167	168	168
Miles of storm drain	98	100	98	99	99
Miles of recycled water main	7.5	7.5	7.5	7.5	7.5

Source: City of Milpitas, final budget

Fiscal Year				
2005	2006	2007	2008	2009
137	139	139	139	138
4,346	4,354	4,354	4,435	4,460
350	350	350	350	350
631	635	635	630	617
7,250	7,167	7,400	8,000	8,131
68	68	68	68	71
26	26	29	32	32
172	172	172	172	179
32	32	30	29	37
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
3	3	4	4	3
22	22	22	22	24
1	1	1	1	1
21	21	21	21	21
13	13	13	13	13
5	5	5	5	5.5
7	7	7	7	7
4	4	4	4	4
2	2	2	2	2
30	30	28	27	28
4	4	4	4	4
13	14	16	14	14
1,755	1,756	1,756	1,809	1,756
203	204	204	206	204
15.64	15.64	15.64	16.21	15.64
173	173	173	177	173
99	105	105	107	106
11.0	11.0	11.0	11.0	11.0

