

**CITY COUNCIL  
AGENDA REPORT**



**CITY OF MILLBRAE  
621 Magnolia Avenue  
Millbrae, CA 94030**

<b>SUBJECT:</b> Accept, by motion, the Comprehensive Annual Financial Report (CAFR) for the 2017–2018 Fiscal Year  <b>ATTACHMENTS:</b> The CAFR for the 2017–2018 Fiscal Year can be found at: <a href="https://www.ci.millbrae.ca.us/departments-services/finance-department/comprehensive-annual-financial-report-cafr">https://www.ci.millbrae.ca.us/departments-services/finance-department/comprehensive-annual-financial-report-cafr</a>	<b>Report No.</b> 6218
	<b>For Agenda of:</b> January 22, 2019
	<b>Department:</b> Finance
	<b>Originator:</b> DeAnna Hilbrants
<b>Approved:</b>	
Budget Action      Yes: ___ No: <u>X</u> Finance Review: _____	

<b>REPORT TYPE:</b> ACTION <input checked="" type="checkbox"/> INFORMATIONAL _____
<b>ITEM TYPE:</b> CONSENT <input checked="" type="checkbox"/> PUBLIC HEARING ___ EXISTING BUSINESS ___ NEW BUSINESS <input checked="" type="checkbox"/>

**RECOMMENDATION:**

Staff recommends that the City Council accept, by motion, the 2017 - 2018 Comprehensive Annual Financial Report (CAFR) for the City of Millbrae covering the fiscal year ending on June 30, 2018.

**BACKGROUND:**

California statutes require that the City issue annually a report on the financial position of its government and business-type activities and that this report is audited by independent certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatements. The fiscal year 2018 audit was performed by Badawi and Associates. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion, which states that the City’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with General Accepted Accounting Principles (GAAP). The independent auditor’s report is presented as the first component of the financial section of the CAFR.

### Financial Highlights:

- As of June 30, 2018, the City's total net position decreased by \$2.3 million or 2.9% from the prior year to \$78.4 million. The decrease in net position is primarily associated with prior period adjustments to report liabilities associated with Other Post-Employment Benefits (OPEB) in order to implement GASB statement No. 75.
- The total net position includes \$69.9 million net investment in capital assets (land, building, and equipment), \$28.9 million in restricted net position, and negative \$20.4 million in unrestricted net position.
- Primary government revenues increased \$2.2 million or 4% from the prior year. Primary government expenses increased \$324,000 or 0.6%.
- The City's governmental funds reported a combined ending fund balance of \$51.4 million, a decrease of \$3.1 million or 5.7% from the previous year. Approximately \$20.8 million (40%) of this amount is unrestricted and available for spending at the City Council's discretion. Of this amount, \$4.5 million is committed to an emergency reserve and the balance has been allocated primarily to a five-year Capital improvement program to improve City infrastructure.
- The City's General Fund unrestricted fund balance (total of committed, assigned, and unassigned fund balance) was \$19.3 million which represents 68% of general fund expenditures. As noted above, a significant portion of this amount was set-aside to fund a five-year capital improvement program.
- The City's net pension liability increased \$6 million or 14% from the prior year. After implementing GASB 75, the City's Net OPEB Liability increased \$5.5 million. In 2017, the City took active steps to reduce post-employment benefit liability by establishing an OPEB Trust account.

### FISCAL IMPACT:

The recommended action has no budget impact; however, it is important to note that the final financial results for the City's General Fund were better than estimated in the 2017 – 2018 annual budget.

### COUNCIL ACTION:

Staff recommends that the City Council accept, by motion, the 2017 - 2018 Comprehensive Annual Financial Report (CAFR) for the City of Millbrae covering the fiscal year ending on June 30, 2018.