

Attachment 'A'

CITY OF KERMAN

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Kerman, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, , each major fund, and the aggregate remaining fund information of the City of Kerman (the "City"), California as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 44-46, the schedule of the City's proportionate share of net pension liability on page 47, and the schedule of contributions on pages 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

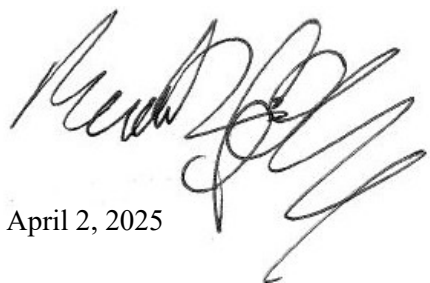
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2025 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "Kendall J. [unclear]", written over a faint circular stamp.

April 2, 2025

CITY OF KERMAN

STATEMENT OF NET POSITION JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 21,398,241	\$ 11,895,476	\$ 33,293,717
Accounts receivable, net	23,760	532,072	555,832
Taxes receivable	1,269,563	-	1,269,563
Due from other governments	2,033,589	-	2,033,589
Interest receivable	199,072	-	199,072
Lease receivable	560,909	-	560,909
Internal balances	(171,371)	171,371	-
Capital assets, net of allowance for depreciation	40,289,487	17,388,256	57,677,743
Total assets	<u>65,658,257</u>	<u>29,987,175</u>	<u>95,645,432</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	<u>2,570,633</u>	<u>654,349</u>	<u>3,224,982</u>
LIABILITIES			
Accounts payable and accrued expense	1,853,135	941,339	2,794,474
Accrued interest payable	16,378	15,881	32,259
Deposits payable	12,200	139,440	151,640
Unearned revenues	3,378	-	3,378
Long-term liabilities			
Due within one year	177,000	420,567	597,567
Due in more than one year	2,659,000	2,356,974	5,015,974
Compensated absences	502,874	144,984	647,858
Net pension liability	4,548,284	1,157,755	5,706,039
Total liabilities	<u>9,772,249</u>	<u>5,176,940</u>	<u>14,949,189</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	<u>719,720</u>	<u>51,676</u>	<u>771,396</u>
NET POSITION			
Net investment in capital assets	37,453,487	14,610,715	52,064,202
Restricted for specific projects and programs	8,435,576	-	8,435,576
Restricted for capital improvements	-	3,502,298	3,502,298
Unrestricted	11,847,858	7,299,895	19,147,753
Total net position	<u>\$ 57,736,921</u>	<u>\$ 25,412,908</u>	<u>\$ 83,149,829</u>

CITY OF KERMAN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

Functions/Programs	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,685,304	\$ -	\$ 127,901	\$ -	\$ (2,557,403)	\$ -	\$ (2,557,403)
Public works	3,408,937	-	5,104,970	476,919	2,172,952	-	2,172,952
Community development	768,936	773,991	6,983	313,610	325,648	-	325,648
Social services	924,639	43,176	232,678	-	(648,785)	-	(648,785)
Public safety	4,445,833	280,131	279,174	-	(3,886,528)	-	(3,886,528)
Debt Service							
Interest and fiscal charges	66,511	-	-	-	(66,511)	-	(66,511)
Total governmental activities	<u>12,300,161</u>	<u>1,097,298</u>	<u>5,751,706</u>	<u>790,529</u>	<u>(4,660,628)</u>	<u>-</u>	<u>(4,660,628)</u>
Business-type activities							
Water	2,442,491	3,081,307	-	77,448	-	716,264	716,264
Sewer	2,422,788	2,117,118	-	196,654	-	(109,016)	(109,016)
Disposal	2,062,138	2,239,359	80,000	-	-	257,221	257,221
Storm Drain	325,849	92,828	-	64,050	-	(168,971)	(168,971)
Total business-type activities	<u>7,253,266</u>	<u>7,530,612</u>	<u>80,000</u>	<u>338,152</u>	<u>-</u>	<u>695,498</u>	<u>695,498</u>
Total primary government	<u>\$ 19,553,427</u>	<u>\$ 8,627,910</u>	<u>\$ 5,831,706</u>	<u>\$ 1,128,681</u>	<u>(4,660,628)</u>	<u>695,498</u>	<u>(3,965,130)</u>
General Revenue							
Property taxes					3,671,701	-	3,671,701
Special assessments					380,457	-	380,457
Sales taxes					5,759,619	-	5,759,619
Franchise and other taxes					189,465	-	189,465
Business licenses					117,084	-	117,084
Rents					421,168	3,229	424,397
Interest income/(unrealized gain on investments)					598,169	303,338	901,507
Other					208,398	50,186	258,584
Transfers					309,105	(309,105)	-
Total general revenue and transfers					<u>11,655,166</u>	<u>47,648</u>	<u>11,702,814</u>
Change in Net Position					6,994,538	743,146	7,737,684
Net Position							
Beginning of year, previously presented					50,452,294	24,669,762	75,122,056
Error correction					290,089	-	290,089
Beginning of year, restated					<u>50,742,383</u>	<u>-</u>	<u>50,742,383</u>
End of year					<u>\$ 57,736,921</u>	<u>\$ 25,412,908</u>	<u>\$ 83,149,829</u>

See accompanying notes.

CITY OF KERMAN

BALANCE SHEET – GOVERNMENTAL FUNDS JUNE 30, 2024

		Capital Project Funds		Special Revenue Fund			
		Street	Formerly	Formerly	Formerly	Other	Total
		Maintenance and	Nonmajor Fund	Nonmajor Fund	Nonmajor Fund	Governmental	Governmental
	General	Construction	State	Local	Gas	Funds	Funds
			Grants	Transportation	Tax		
ASSETS							
Cash and investments	\$ 13,386,679	\$ 3,456,676	\$ -	\$ 1,158,317	\$ 1,294,470	\$ 2,102,099	\$ 21,398,241
Accounts receivable	19,785	-	-	-	-	-	19,785
Taxes receivable	1,269,563	-	-	-	-	-	1,269,563
Lease receivable	560,909	-	-	-	-	-	560,909
Prepays	55,007	-				-	55,007
Due from other governments	104,824	233,770	685,856	818,046	39,505	151,588	2,033,589
Interest receivable	199,072	-	-	-	-	-	199,072
Due from other funds	1,321,770	-	-	-	-	-	1,321,770
Total assets	16,917,609	3,690,446	685,856	1,976,363	1,333,975	2,253,687	26,857,936
LIABILITIES							
Accounts payable and accrued expense	810,147	\$ 34,666	\$ 112,822	\$ 353,959	\$ 466,038	33,956	1,811,588
Due to other funds	-	-	490,006	-	-	23,002	513,008
Deposits and other liabilities	12,200	-	-	-	-	-	12,200
Unearned revenues	3,378	-	-	-	-	-	3,378
Total liabilities	825,725	34,666	602,828	353,959	466,038	56,958	2,340,174
DEFERRED INFLOWS OF RESOURCES							
Deferred right to use lease revenue	516,710	-	-	-	-	-	516,710
Total deferred inflows of resources	516,710	-	-	-	-	-	516,710
FUND BALANCE							
Restricted							
Circulation improvements	-	3,655,780	-	1,622,404	867,937	1,059,407	7,205,528
Development activities	-	-	83,028	-	-	1,147,020	1,230,048
Committed							
Unfunded liability	100,000	-	-	-	-	-	100,000
Emergency reserve	2,334,845	-	-	-	-	-	2,334,845
Revenue stability reserve	1,400,907	-	-	-	-	-	1,400,907
Major asset repair and replacement reserve	1,400,907	-	-	-	-	-	1,400,907
Unassigned	10,338,515	-	-	-	-	(9,698)	10,328,817
Total fund balance	15,575,174	3,655,780	83,028	1,622,404	867,937	2,196,729	24,001,052
Total liabilities, deferred inflows of resources and fund balance	\$ 16,917,609	\$ 3,690,446	\$ 685,856	\$ 1,976,363	\$ 1,333,975	\$ 2,253,687	\$ 26,857,936

See accompanying notes.

CITY OF KERMAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2024

Total governmental fund balance	\$ 24,001,052
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,807,046
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Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the funds	(4,548,284)
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Deferred outflows of resources related to net pension liability, represent an consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time	2,570,633
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Deferred inflows of resources related to net pension liability and lease income, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time	(203,010)
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Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(2,836,000)
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Compensated absences are not due and payable in the current period and therefore are not reported in the funds	(502,874)
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Interest on long-term debt is reported as an expenditure of the Governmental Funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred	(16,378)
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Internal service funds are used by management to charge the costs of fleet maintenance and computer services to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	<u>464,736</u>
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Net position of governmental activities	<u>\$ 57,736,921</u>
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CITY OF KERMAN

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2024

	Capital Project Funds				Special Revenue Fund		Other Governmental Funds	Total Governmental Funds
	General	Street Maintenance and Construction	Formerly Major Fund Street Projects & Development	Formerly Nonmajor Fund State Grants	Formerly Nonmajor Fund Local Transportation	Formerly Nonmajor Fund Gas Tax		
Revenue								
Taxes	\$ 9,135,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 817,999	\$ 9,953,519
Licenses, permits and impact fees	935,220	-	-	-	-	-	167,305	1,102,525
Intergovernmental	556,088	158,636	-	3,661,916	968,380	459,010	660,380	6,464,410
Charges for services	240,764	-	-	-	-	-	2,084	242,848
Fines and forfeitures	46,727	-	-	-	-	-	-	46,727
Rents	87,372	-	-	-	-	-	240,510	327,882
Investment earning, net of unrealized gain/(loss)	465,427	-	-	-	35,314	30,655	61,406	592,802
Other	137,574	-	-	-	1,000	-	17,651	156,225
Total revenue	<u>11,604,692</u>	<u>158,636</u>	<u>-</u>	<u>3,661,916</u>	<u>1,004,694</u>	<u>489,665</u>	<u>1,967,335</u>	<u>18,886,938</u>
Expenditures								
Current								
General government	1,458,732	-	-	-	-	-	-	1,458,732
Public works	1,249,444	-	-	243,656	226,439	138,689	872,660	2,730,888
Community development	590,126	-	-	-	-	-	50,549	640,675
Social services	777,468	-	-	-	-	-	71,877	849,345
Public safety	4,386,219	-	-	-	-	-	-	4,386,219
Capital outlay	977,391	157,147	-	3,140,160	1,148,964	468,942	937,084	6,829,688
Debt Service								
Principal	-	-	-	-	-	-	173,000	173,000
Interest and fiscal charges	-	-	-	-	-	-	67,510	67,510
Total expenditures	<u>9,439,380</u>	<u>157,147</u>	<u>-</u>	<u>3,383,816</u>	<u>1,375,403</u>	<u>607,631</u>	<u>2,172,680</u>	<u>17,136,057</u>
Revenue over/(under) expenditures	2,165,312	1,489	-	278,100	(370,709)	(117,966)	(205,345)	1,750,881
Other Financing Sources/(Uses)								
Lease revenues	98,650	-	-	-	-	-	-	98,650
Transfers in/(out) - net	<u>(590,567)</u>	<u>(1,489)</u>	<u>-</u>	<u>(195,072)</u>	<u>(62,784)</u>	<u>15,995</u>	<u>(75,686)</u>	<u>(909,603)</u>
	<u>(491,917)</u>	<u>(1,489)</u>	<u>-</u>	<u>(195,072)</u>	<u>(62,784)</u>	<u>15,995</u>	<u>(75,686)</u>	<u>(810,953)</u>
Change in Fund Balance	1,673,395	-	-	83,028	(433,493)	(101,971)	(281,031)	939,928
Fund Balance								
Beginning of year, as previously stated	13,901,779	3,655,780	70,814	-	-	-	5,142,662	22,771,035
Error correction	-	-	-	-	290,089	-	-	290,089
Change within financial reporting entity (major to nonmajor)	-	-	(70,814)	-	-	-	70,814	-
Change within financial reporting entity (nonmajor to major)	-	-	-	-	1,765,808	969,908	(2,735,716)	-
Beginning of year, restated	<u>13,901,779</u>	<u>3,655,780</u>	<u>-</u>	<u>-</u>	<u>2,055,897</u>	<u>969,908</u>	<u>2,477,760</u>	<u>23,061,124</u>
End of year	<u>\$ 15,575,174</u>	<u>\$ 3,655,780</u>	<u>\$ -</u>	<u>\$ 83,028</u>	<u>\$ 1,622,404</u>	<u>\$ 867,937</u>	<u>\$ 2,196,729</u>	<u>\$ 24,001,052</u>

See accompanying notes.

CITY OF KERMAN

RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

Net change in fund balance - total governmental funds \$ 939,928

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

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 lives and reported as depreciation expense

Capital outlay expenditures are therefore added back to fund balances	6,696,761
Depreciation expense not reported in governmental funds	<u>(918,084)</u>

5,778,677

Repayment of long-term debt is an expenditure in governmental funds,
but the repayment reduces long-term liabilities in the statement of
net position. Proceeds of long-term debt produces the opposite effect

173,000

Pension expenses reported in the Statement of Activities do not require the use of
current financial resources an, therefore are not reported as expenditures
in the Governmental Funds

(15,579)

Internal service funds are used by management to charge the costs of
fleet maintenance and computer services to individual funds. The
net revenue (loss) of certain activities of internal service funds is
reported with governmental activities

135,862

In the Statement of Activities interest is accrued on long-term debt,
whereas, in governmental funds interest expenditure is reported
when due

999

Compensated absence costs in the Statement of Activities does not
require the use of current financial resources and, therefore, is
not reported as expenditures in Governmental Funds

(18,349)

Change in net position of governmental activities

\$ 6,994,538

CITY OF KERMAN

STATEMENT OF NET POSITION – PROPRIETARY FUNDS JUNE 30, 2024

	Business-Type Activities - Enterprise Funds					Governmental
					Total	Activities
	Water	Sewer	Disposal	Storm Drain	Proprietary	Internal
					Funds	Service Fund
ASSETS						
Current assets						
Cash and investments	\$ 8,002,099	\$ 2,901,770	\$ 856,959	\$ 134,648	\$ 11,895,476	\$ -
Accounts receivable, net	196,707	129,259	187,681	18,425	532,072	3,975
Total current assets	8,198,806	3,031,029	1,044,640	153,073	12,427,548	3,975
Non-current assets						
Property, plant and equipment, net of allowance for depreciation	8,054,053	8,317,411	6,018	1,010,774	17,388,256	1,482,441
Total assets	16,252,859	11,348,440	1,050,658	1,163,847	29,815,804	1,486,416
DEFERRED OUTFLOWS OF RESOURCES	291,216	249,291	88,687	25,155	654,349	-
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	711,018	66,219	148,688	15,414	941,339	41,547
Accrued interest payable	-	15,881	-	-	15,881	-
Deposits	139,440	-	-	-	139,440	-
Current portion of long-term debt	420,567	-	-	-	420,567	-
Total current liabilities	1,271,025	82,100	148,688	15,414	1,517,227	850,309
Non-current liabilities						
Long-term debt	239,432	2,117,542	-	-	2,356,974	-
Compensated absences	65,406	56,166	23,412	-	144,984	-
Net pension liability	515,255	441,077	156,916	44,507	1,157,755	-
Total noncurrent liabilities	820,093	2,614,785	180,328	44,507	3,659,713	-
Total liabilities	2,091,118	2,696,885	329,016	59,921	5,176,940	850,309
DEFERRED INFLOWS OF RESOURCES	22,998	19,687	7,004	1,987	51,676	-
NET POSITION						
Net investment in capital assets	7,394,054	6,199,869	6,018	1,010,774	14,610,715	1,482,441
Restricted for capital improvements	2,414,890	917,550	-	169,858	3,502,298	-
Unrestricted/(deficit)	4,621,015	1,763,740	797,307	(53,538)	7,128,524	(846,334)
Total net position	\$ 14,429,959	\$ 8,881,159	\$ 803,325	\$ 1,127,094	25,241,537	\$ 636,107
Adjustments to reflect the consolidation of internal service funds activities related to enterprise funds					171,371	
Net position of business-type activities					\$ 25,412,908	

See accompanying notes.

CITY OF KERMAN

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2024

	Business-Type Activities - Enterprise Funds					Governmental Activities Internal Service Fund
	Water	Sewer	Disposal	Storm Drain	Total Proprietary Funds	
Operating Revenue						
Charges for services	\$ 2,872,236	\$ 2,115,516	\$ 2,239,359	\$ 92,828	\$ 7,319,939	\$ -
Other revenues	109,694	67,709	81,819	4,866	264,088	3,019
Total operating income	2,981,930	2,183,225	2,321,178	97,694	7,584,027	3,019
Operating Expense						
Contractual services and utilities	754,246	548,547	1,748,118	6,289	3,057,200	83,381
Personnel	881,318	724,521	254,702	80,762	1,941,303	231,498
Supplies and materials	449,975	514,163	57,245	223,003	1,244,386	514,624
Depreciation	343,554	600,459	933	15,290	960,236	305,402
Total operating expense	2,429,093	2,387,690	2,060,998	325,344	7,203,125	1,134,905
Operating income/(loss)	552,837	(204,465)	260,180	(227,650)	380,902	(1,131,886)
Nonoperating Revenue/(Expense)						
Intergovernmental	-	-	80,000	-	80,000	-
Development impact fees	77,448	196,654	-	64,050	338,152	-
Interest income	207,207	70,324	19,247	6,560	303,338	20,707
Interest expense	-	(21,808)	-	-	(21,808)	-
Total nonoperating revenue/(expense)	284,655	245,170	99,247	70,610	699,682	20,707
Net income/(loss) before transfers	837,492	40,705	359,427	(157,040)	1,080,584	(1,111,179)
Operating Transfers In/(Out)	(7,325)	(188,298)	(90,769)	(22,713)	(309,105)	1,218,708
Change in Net Position	830,167	(147,593)	268,658	(179,753)	771,479	107,529
Net Position						
Beginning of year	13,599,792	9,028,752	534,667	1,306,847	24,470,058	528,578
End of year	\$ 14,429,959	\$ 8,881,159	\$ 803,325	\$ 1,127,094	\$ 25,241,537	\$ 636,107
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					\$ (28,333)	
Change in net position of business-type activities (Page 5)					\$ 743,146	

See accompanying notes.

CITY OF KERMAN

STATEMENT OF CASH FLOW - PROPRIETARY FUNDS YEAR ENDED JUNE 30, 2024

	Business-Type Activities - Enterprise Funds						Governmental
					Total Business-Type Funds	Activities Internal Service Fund	
	Water	Sewer	Disposal	Storm Drain			
Operating Activities							
Receipts from customers and users	\$ 2,996,891	\$ 2,235,852	\$ 2,321,622	\$ 96,485	\$ 7,650,850	\$ 135,643	
Payments for contractual services and utilities	(321,871)	(544,278)	(1,740,569)	(129,197)	(2,735,915)	(89,121)	
Payments to employees	(816,954)	(657,879)	(229,363)	(70,041)	(1,774,237)	(231,498)	
Payment to suppliers	(449,975)	(514,163)	(57,245)	(223,003)	(1,244,386)	(514,624)	
Net cash provided by (used) in operating activities	1,408,091	519,532	294,445	(325,756)	1,896,312	(699,600)	
Non-capital Financial Activities							
Payments from other governments	-	-	80,000	-	80,000	-	
Payments (to)/from developers	77,448	196,654	-	64,050	338,152	-	
Transfers (to)/from other funds	(7,325)	(188,298)	(90,769)	(22,713)	(309,105)	1,482,172	
Net cash provided by (used) in noncapital financing activities	70,123	8,356	(10,769)	41,337	109,047	1,482,172	
Capital and Related Financing Activities							
Purchase of property, plant and equipment	(1,539,125)	(135,541)	(1,206)	(357)	(1,676,229)	(803,279)	
Principal paid on long-term debt	(165,000)	(253,037)	-	-	(418,037)	-	
Interest paid on long-term debt	-	(23,706)	-	-	(23,706)	-	
Net cash provided by (used) in capital and related financing activities	(1,704,125)	(412,284)	(1,206)	(357)	(2,117,972)	(803,279)	
Investing Activities							
Interest received	207,207	70,324	19,247	6,560	303,338	20,707	
Net cash provided by (used) in investing activities	207,207	70,324	19,247	6,560	303,338	20,707	
Net Increase (Decrease) in Cash	(18,704)	185,928	301,717	(278,216)	190,725	-	
Cash							
Beginning of year	8,020,803	2,715,842	555,242	412,864	11,704,751	-	
End of year	\$ 8,002,099	\$ 2,901,770	\$ 856,959	\$ 134,648	\$ 11,895,476	\$ -	
Cash Flows from Operating Activities							
Operating income (loss)	\$ 552,837	\$ (204,465)	\$ 260,180	\$ (227,650)	\$ 380,902	\$ (1,131,886)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	343,554	600,459	933	15,290	960,236	305,402	
(Increase) Decrease in Accounts Receivable	8,141	52,627	444	(1,209)	60,003	132,624	
(Increase) Decrease in Deferred Outflows of Resources	(95,858)	(93,027)	(37,736)	(14,279)	(240,900)	-	
Increase (Decrease) in Accounts Payable and Accrued Liabilities	432,375	4,269	7,549	(122,908)	321,285	(5,740)	
Increase (Decrease) in Deposits	6,820	-	-	-	6,820	-	
Increase (Decrease) in Deferred Inflows of Resources	(6,793)	(4,142)	(765)	329	(11,371)	-	
Increase (Decrease) in Net Pension Liability	158,860	156,003	63,964	24,671	403,498	-	
Increase (Decrease) in Compensated Absences	8,155	7,808	(124)	-	15,839	-	
Net Cash Provided by (Used) in Operating Activities	\$ 1,408,091	\$ 519,532	\$ 294,445	\$ (325,756)	\$ 1,896,312	\$ (699,600)	

See accompanying notes.

CITY OF KERMAN

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

	<u>Custodial Funds</u>
ASSETS	
Cash and investments	\$ 692,284
Total assets	<u>692,284</u>
LIABILITIES	
Accounts payable	<u>27,722</u>
Total liabilities	<u>27,722</u>
NET POSITION	
Restricted for	
Individuals, organizations, and other governments	<u>664,562</u>
Total Net Position	<u>\$ 664,562</u>

CITY OF KERMAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2024

Additions

Fees	\$ 115,361
Deposits	15,263
Special events	<u>8,260</u>
Total additions	<u>138,884</u>

Deductions

Payments to other entities	<u>2,741</u>
Total deductions	<u>2,741</u>

Change In Net Position	136,143
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Net Position

Beginning of year	<u>528,419</u>
End of year	<u><u>\$ 664,562</u></u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Kerman (the City) have been prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements present the government and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. Each blended component unit has a June 30 fiscal year end. There are no discretely presented component units included in these financial statements. The following sections further describe the significant accounting policies of the City.

Reporting Entity

The City was incorporated as a general law city in 1946. The City operates under a Council-Manager form of government. The City's major operations include public safety; highways and streets; water, sewer, and refuse collection; parks and recreation; building inspection; public improvements; planning and zoning, and general administrative services.

Also included in this report is the Kerman Public Financing Authority (KPFA). The KPFA was established in 2007 through a Joint Exercise of Powers Agreement between the City and the Agency. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the KPFA. The City Manager is appointed Secretary with the City staff providing all support services. The purpose of the KPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of various projects for the City. The City set up the KPFA to act as a financing/lending type institution only. The KPFA/City legislative meetings are held concurrently. No separate annual financial statements are prepared for the KPFA.

Basis of Presentation – Fund Accounting

Government-Wide Financial Statements - The Government-Wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information of all of the nonfiduciary activities of the primary government and its component units. 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, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely significantly on 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 are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements - The Governmental Fund Financial Statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as non-major funds.

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

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used for all financial resources except those required legally, or by sound financial management to be accounted for in another fund. Generally, the General Fund is used to account for those traditional governmental services of the City, such as police, community services, planning and general administrative services.

Street Maintenance & Construction – The Street Maintenance and Construction Fund accounts for all capital street and improvement projects.

State Grant Fund – The State Grant Fund accounts for all grants received from the State of California.

Local Transportation Fund – Accounts for the construction and maintenance of street network system of the City. Financing is provided by allocations from the County Local Transportation Funds created by the Transportation Development Act.

Gas Tax Fund – State Grant Fund – State Grant Fund – The funds are used to account for receipts and expenditures of monies apportioned to the City under the Streets and Highway Case Section 2105, 2106, 2107, 2107.5 of the State of California.

The City reports the following major enterprise funds:

Water Fund – The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

Sewer Fund – The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

Disposal Fund – The Disposal Fund accounts for the operation and maintenance of the City's sanitation system.

Storm Drain Fund – The Storm Drain Fund accounts for the operation and maintenance of the City's storm drain system.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

The City reports the following additional fund types:

Internal Service Fund – The Internal Service Fund accounts for fleet management and computer services provided to other departments or agencies of the government, on a cost reimbursement basis.

Fiduciary Funds – The Fiduciary Funds account for assets held by the City as an agent for various local governments or other entities. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

The Government-Wide and Proprietary Fund Financial Statements are reported using the economic resources measurement focus and the 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. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

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. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as non-operating.

Financial Statement Amounts

Cash and Cash Equivalents – Cash and cash equivalents represent the City's cash bank accounts including, but not limited to, certificates of deposit, money market funds and cash management pools for reporting purposes in the Statement of Cash Flows. Additionally, investments with maturities of three months or less when purchased are included as cash equivalents in the Statement of Cash Flows.

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on quarterly ending cash balances in each fund.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Investments of the pool include only those investments authorized by the California Government Code such as, United States Treasury securities, agencies guaranteed by the United States Government, registered state warrants, and other investments. Investments primarily consist of deposits in money market accounts and certificates of deposit. Investments are stated at fair value.

Accounts Receivable – Billed, but unpaid, services provided to individuals or non-governmental entities are recorded as accounts receivable. The Proprietary Funds include a year end accrual for services through the end of the fiscal year which have not yet been billed. Accounts receivable are reported net of an allowance for uncollectible.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The City considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

The City is permitted by Article XIII A of the State of California Constitution (known as Proposition 13) to levy a maximum tax of \$1.00 per \$100 of full cash value.

Interfund Receivables/Payables – Items classified as interfund receivable/payable represent short-term lending/borrowing transactions between funds. This classification also includes the current portion of an advance to or from another fund.

Advances To/From Other Funds – This classification represents non-current portions of any long-term lending/borrowing transactions between funds. This amount will be equally offset by a reserve of fund balance which indicates that it does not represent available financial resources and therefore, is not available for appropriation. The current portion of any interfund long-term loan (advance) is included as an interfund receivable/payable.

Capital Assets – Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the Government-Wide Financial Statements to the extent the City's capitalization threshold is met.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 for roadways and \$5,000 for all other assets, and an estimated useful life of at least three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

	Years
Infrastructure	50
Buildings	20 - 40
Improvements	30 - 50
Equipment	5 - 10

Leases - Lessor: The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, the City generally uses the implied rate of return as the discount rate for leases. When the implied rate of return has not been determined, the City uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the City's policy to permit all employees to accumulate earned but unused vacation, sick pay and compensatory time benefits within limits outlined in Memorandums of Understanding (MOU).

Vested or accumulated vacation and sick leave along with any compensation time that is expected to be paid with expendable available financial resources is reported as an expenditure in the fund financial statements of the Governmental Fund that will pay for it. Amounts not expected to be liquidated with expendable available financial resources are reported in the Government-Wide Financial Statements.

Vested leave of Proprietary Funds are recorded as an expense and liability as the benefits accrue.

Pension – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employee Retirement System (CalPERS) plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Obligations – In the Government-Wide Financial Statements and in the Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type Statement of Net Position. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. Governmental Fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Non-Current Governmental Assets/Liabilities – GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the Government-Wide Statement of Net Position.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position – The government-wide and business-type activities financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position - This category presents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This category represents net position of the City not restricted for any project or other purpose.

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council. The City Council has the authority to establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the City Council for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the City's policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance and Accountability

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit or time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation.

In accordance with applicable sections of the California Government Code and the Kerman Municipal Code, the City prepares and legally adopts an annual balanced budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund, specific Special Revenue Funds, and specific Capital Projects Funds. Budget plans are adopted for Proprietary Funds. A proposed budget is presented to the City Council during June of each year for review. The Council holds public hearings and may add to, subtract from, or change appropriations within the revenues and reserves estimated as available. Expenditures may not legally exceed budgeted appropriations at the fund level. Supplementary appropriations which alter the total expenditures of any fund, or expenditures in excess of total budgeted fund appropriations, must be approved by the City Council.

All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered.

Note 3 – Cash and Investments

The City pools all of its cash and investments except those funds required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash is allocated to the various funds on average cash balances. Interest income from cash investments held with fiscal agents is credited directly to the related funds.

Cash and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 33,293,717
Fiduciary Funds:	
Cash and Investments	<u>692,284</u>
Total Cash and Investments	<u>\$ 33,986,001</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Note 3 – Cash and Investments (Continued)

Cash and investments as of June 30, 2024 consist of the following:

Cash on Hand	\$ 1,250
Deposits with Financial Institutions	5,866,616
Local Agency Investment Fund	17,636,545
Money Market Funds	3,646,348
Certificates of Deposit	<u>6,835,242</u>
Total Cash and Investments	<u>\$ 33,986,001</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 3 – Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
JPA Pools (other investment pools)	N/A	None	None

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Certificates of Deposits	1 year	None	None
Repurchase Agreements	30 days	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Municipal Bonds	None	None	None

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 3 – Cash and Investments (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Kerman manages its exposure to interest rate risk is through the purchase of a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Investment Type	Fair Value	Remaining Maturity (in months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund	\$ 17,636,545	\$ 17,636,545	\$ -	\$ -
Certificates of deposit	6,835,242	3,678,433	3,156,809	-
Money Market Funds	<u>3,646,348</u>	<u>3,646,348</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,118,135</u>	<u>\$ 24,961,326</u>	<u>\$ 3,156,809</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, 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.

Investment Type		Minimum	Rating as of Year End
		Legal Rating	Not Rated
Local Agency Investment Fund	\$ 17,636,545	N/A	\$ 17,636,545
Certificates of deposit	6,835,242	N/A	6,835,242
Money Market Funds	<u>3,646,348</u>	N/A	<u>3,646,348</u>
Total	<u>\$ 28,118,135</u>		<u>\$ 28,118,135</u>

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools that represent 5% or more of total City-wide investments as of June 30, 2024.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 3 – Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Receivables

The following is a summary of receivables at June 30, 2024 for the City's individual enterprise funds, including the applicable allowances for uncollectible accounts are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Storm Drain</u>	<u>Internal Service</u>
Enterprise Funds					
Accounts	\$ 223,545	\$ 159,779	\$ 207,579	\$ 19,999	\$ 3,975
Gross receivables	223,545	159,779	207,579	19,999	3,975
Less: Allowance for uncollectible accounts	(26,838)	(30,520)	(19,898)	(1,574)	-
	<u>\$ 196,707</u>	<u>\$ 129,259</u>	<u>\$ 187,681</u>	<u>\$ 18,425</u>	<u>\$ 3,975</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 4 – Receivables (continued)

Lease receivables

The following is a summary of lease receivables at June 30, 2024:

	<u>General Fund</u>
Land Leases:	
Valley Health	\$ 87,956
Generations Dairy	11,640
Tower Leases:	
Verizon	407,753
AT&T	53,560
	<u>\$ 560,909</u>

Valley Heath Team Inc. Land Lease – The City entered into an agreement to lease out a certain property from June 1, 2011 through August 31, 2026 at a monthly rate of \$3,312.24. Payment is due the first of the month at .9% interest.

Generations Dairy Land Lease – The City agreed to lease out 39 acres of land from 5/1/21 to 12/31/25 for an annual payment ranging from \$11,199 to \$12,789 at .9% interest rate.

Verizon Tower Lease – The City entered into an agreement to lease out a cell tower from December 1, 2007 through December 1, 2036 for an annual payment ranging from \$25,412 to \$39,590. Payment is due December 1 each year at .9% interest.

AT&T Tower Lease – The City entered into an agreement to lease out a cell tower from December 1, 2007 through December 1, 2036 to for a monthly payment of \$1,600. Payment is due December 1 each year at .9% interest.

The annual payment receipt schedule for principal and interest on all lease receivable at June 30, 2024 were as follows:

<u>For the year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 95,011	\$ 4,602	\$ 99,613
2026	85,806	3,830	89,636
2027	48,164	3,169	51,333
2028	27,480	2,863	30,343
2029	28,643	2,610	31,253
2030-2034	162,023	8,881	170,904
2035-2037	<u>113,782</u>	<u>1,563</u>	<u>115,345</u>
Total	<u>\$ 560,909</u>	<u>\$ 27,518</u>	<u>\$ 588,427</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Note 4 – Receivables (continued)

The related deferred inflows of resources on the right of use on lease revenue will be amortized on a straight-line basis over the term of the agreement as follows:

<u>For the year ended June 30,</u>	<u>Principal</u>
2025	\$ 91,951
2026	85,253
2027	48,541
2028	30,628
2029	30,628
2030-2034	153,139
2035-2037	<u>76,572</u>
Total	<u>\$ 516,713</u>

During the year ended June 30, 2024, the City recognized \$98,650 in lease revenue and \$5,366 in related interest income.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 5 – Capital Assets – Capital asset activities for the year ended June 30, 2024 were as follows:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024
<u>Governmental Activities</u>				
Capital assets, not being depreciated				
Land	\$ 2,523,592	\$ 2,947,190	\$ -	\$ 5,470,782
Construction in progress	4,259,717	3,679,401	(738,187)	7,200,931
Total capital assets, not being depreciated	<u>6,783,309</u>	<u>6,626,591</u>	<u>(738,187)</u>	<u>12,671,713</u>
Capital assets, being depreciated				
Buildings and improvements	12,509,104	26,660		12,535,764
Infrastructure	22,944,405	738,187	-	23,682,592
Machinery and equipment	3,887,038	846,789	(220,630)	4,513,197
Total capital assets, being depreciated	<u>39,340,547</u>	<u>1,611,636</u>	<u>(220,630)</u>	<u>40,731,553</u>
Less accumulated depreciation for				
Buildings and improvements	(3,552,833)	(326,845)	-	(3,879,678)
Infrastructure	(5,928,949)	(538,923)	-	(6,467,872)
Machinery and equipment	(2,629,141)	(357,718)	220,630	(2,766,229)
Total accumulated depreciation	<u>(12,110,923)</u>	<u>(1,223,486)</u>	<u>220,630</u>	<u>(13,113,779)</u>
Total capital assets, being depreciated, net	<u>27,229,624</u>	<u>388,150</u>	<u>-</u>	<u>27,617,774</u>
Governmental activities capital assets, net	<u>\$ 34,012,933</u>	<u>\$ 7,014,741</u>	<u>\$ (738,187)</u>	<u>\$ 40,289,487</u>
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 3,383,589	\$ -	\$ -	\$ 3,383,589
Construction in progress	3,914,513	1,417,892	-	5,332,405
Total capital assets, not being depreciated	<u>7,298,102</u>	<u>1,417,892</u>	<u>-</u>	<u>8,715,994</u>
Capital assets, being depreciated				
Buildings and improvements	23,155,297	88,366	-	23,243,663
Machinery and equipment	1,990,208	169,971	-	2,160,179
Total capital assets, being depreciated	<u>25,145,505</u>	<u>258,337</u>	<u>-</u>	<u>25,403,842</u>
Less: accumulated depreciation	<u>(15,771,344)</u>	<u>(960,236)</u>	<u>-</u>	<u>(16,731,580)</u>
Total capital assets, being depreciated, net	<u>9,374,161</u>	<u>(701,899)</u>	<u>-</u>	<u>8,672,262</u>
Business-type activities capital assets, net	<u>\$ 16,672,263</u>	<u>\$ 715,993</u>	<u>\$ -</u>	<u>\$ 17,388,256</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 5 – Capital Assets (Continued)

Depreciation expense was charged to the following functions in the Statement of Activities:

Governmental Functions:

General Government	\$	116,322
Public Works and Community Development		544,893
Social Services		214,854
Public Safety		42,015
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the asset		305,402
	\$	<u>1,223,486</u>

Business-Type Functions:

Water	\$	343,554
Sewer		600,459
Disposal		933
Storm Drain		15,290
	\$	<u>960,236</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – 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.

Long-term debt payable at June 30, 2024 was comprised of the following individual issues:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion
<u>Governmental Activity Long Term Debt</u>					
<i>Direct Borrowings:</i>					
Kerman Public Finance Authority Bonds					
2020 Lease Revenue Bonds	\$ 3,009,000	\$ -	\$ (173,000)	\$ 2,836,000	\$ 177,000
Total Governmental Activity Debt	<u>\$ 3,009,000</u>	<u>\$ -</u>	<u>\$ (173,000)</u>	<u>\$ 2,836,000</u>	<u>\$ 177,000</u>
<u>Business-Type Activity Long Term Debt</u>					
<i>Direct Borrowings:</i>					
Notes Payable					
California Dept. of Water Resources	\$ 824,999	\$ -	\$ (165,000)	\$ 659,999	\$ 165,000
California Dept. of Water Resources	<u>2,370,579</u>	<u>-</u>	<u>(253,037)</u>	<u>2,117,542</u>	<u>255,567</u>
Total Business-Type Activity Debt	<u>\$ 3,195,578</u>	<u>\$ -</u>	<u>\$ (418,037)</u>	<u>\$ 2,777,541</u>	<u>\$ 420,567</u>
<u>Compensated Absences</u>					
Government Activities	<u>\$ 484,525</u>	<u>\$ 18,349</u>	<u>\$ -</u>	<u>\$ 502,874</u>	
Business-Type Activities	<u>\$ 129,145</u>	<u>\$ 15,839</u>	<u>\$ -</u>	<u>\$ 144,984</u>	
<u>Net Pension Liability</u>					
Government Activities	<u>\$ 4,348,354</u>	<u>\$ 199,930</u>	<u>\$ -</u>	<u>\$ 4,548,284</u>	
Business-Type Activities	<u>\$ 754,257</u>	<u>\$ 403,498</u>	<u>\$ -</u>	<u>\$ 1,157,755</u>	

Kerman Public Financing Authority Bonds - The KPFA was established in 2007 through a Joint Exercise of Powers Agreement between the City and the Agency. The formation of the joint powers authority was approved by the City Council who is also designated as the Board of Directors for the KPFA.

The purpose of the KPFA is solely to provide funds from the sale of revenue bonds to finance or refinance the costs of acquiring, constructing, or improving and equipping capital improvements (projects) for the City and the Agency. The City set up the KPFA to act as a financing/lending type institution only.

In September 2020, the KPFA issued the 2020 Lease Revenue Refunding Bonds in the amount of \$3,041,000. The 2020 Lease Revenue principal payments are made each October 1 beginning in 2023 through 2038. Interest is to be paid semi-annually on April 1 and October 1 through 2038. The interest rates range from 3.5% to 4.75%.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 6 – Long-Term Debt (Continued)

California Department of Water Resources Construction Loan – The City entered into a contract with the State of California, Department of Water Resources in 2003. The contract provides for a 20 year loan at a zero percent interest rate. Terms of the note call for semi-annual principal payments of \$82,500 beginning January 1, 2008 and will mature on January 1, 2028. The outstanding balance on the note at June 30, 2024 was \$659,999.

California Department of Water Resources Wastewater Upgrade Loan – The City entered into a revolving loan agreement with the State of California, Department of Water Resources in September 2009. The agreement provides for a loan of up to \$4,957,479 for sewer system upgrades. Construction period interest of \$38,241 was combined with the loan amount for a final total loan of \$4,995,720. Terms of the loan call for annual payments of \$276,743 including interest at 1.00%, which begins September 2012 and will mature in September 2031. The outstanding balance on the note at June 30, 2024 was \$2,117,542.

The annual requirement to amortize the principal and interest on all long-term debt at June 30, 2024 were as follows:

Years ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 177,000	\$ 63,467	\$ 420,567	\$ 21,175
2026	180,000	59,344	423,123	18,620
2027	183,000	55,151	425,704	16,039
2028	186,000	50,889	428,310	13,432
2029	189,000	46,558	265,944	10,798
2030-2034	1,021,000	163,953	813,893	16,332
2035-2038	900,000	42,159	-	-
	<u>\$ 2,836,000</u>	<u>\$ 481,521</u>	<u>\$ 2,777,541</u>	<u>\$ 96,396</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Note 7 – Fund Balance

Fund Balance and Retained Earnings Deficits - The following is a summary of deficit fund balances and retained earnings as of June 30, 2024:

Special Revenue Funds	
Park Development	\$ (9,698)

These deficits are expected to be relieved from future revenues or transfers from other funds.

Note 8 – Interfund Receivables, Payables and Transfers

Interfund receivables and payables consist of short-term loans resulting from regular transactions. These loans are expected to be repaid as soon as the borrowing fund has cash.

Individual fund interfund receivables and payables balances as of June 30, 2024 are as follows:

	Due From	Due To
General Fund	\$ 1,321,770	\$ -
Internal Service Fund	-	808,762
Senior Center Fund	-	13,304
Park Development	-	9,698
State Grants	-	490,006
	<u>\$ 1,321,770</u>	<u>\$ 1,321,770</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 8 – Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers

In general, the City uses interfund transfers to (1) move revenues from the funds that collect them to the funds' that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to help finance various programs and capital projects accounted for in other funds in accordance with budgetary authorization, and (3) move cash to debt service funds from the funds responsible for payment as debt service payments become due. In general, the effect of the interfund activity has been eliminated from the government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund	\$ -	\$ 590,567
Street Maintenance and Construction	-	1,489
State Grants	-	195,072
Local Transportation	-	62,784
Gas Tax	15,995	-
Proprietary Funds:		
Water	-	7,325
Sewer	-	188,298
Disposal	-	90,769
Storm Drain	-	22,713
Internal Service	1,218,708	-
Nonmajor Governmental Funds:		
Measure C	-	60,339
Senior Center	6,418	-
Maintenance District	-	21,765
	<u>\$ 1,241,121</u>	<u>\$ 1,241,121</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Note 9 – Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The CSJVRMA is a consortium of 55 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a Board of Directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The financial statements of CSJVRMA can be obtained at 1831 K Street, Sacramento, CA 95814.

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Costs are spread to members as follows: the first \$25,000 of each occurrence is charged directly to the member. Each member maintains a \$1,000,000 self-insured retention (SIR) amount covered by the Authority pooled investments. The Authority purchases excess liability coverage through the California Affiliated Risk Management Authority for the amount in excess of \$1,000,000.

The City maintains a self-insured retention level of \$50,000 for workers’ compensation insurance. Coverage between \$50,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool which provides workers’ compensation coverage from \$5,000,000 to \$200,000,000. Each program year is retrospectively adjusted three years after the end of the program year and annually thereafter.

The City also purchases various property coverage programs. Deductibles and limits per property type can be obtained from the City Manager or directly from the Authority.

The latest audited financial information and the most current information available for CSJVRMA for fiscal year ended June 30, 2024 is as follows:

Total assets	\$ 179,635,612
Total liabilities	<u>144,400,470</u>
Net position	<u>\$ 35,235,142</u>
Total revenues	\$ 95,596,916
Total expenses	<u>94,324,180</u>
Increase/(decrease) in net position	<u>\$ 1,272,736</u>

Contingent Liabilities

The City participates in a number of Federal and State assisted grant programs which are subject to financial and compliance audits. Audits for these programs and the respective findings are to be determined at a future date, and the City expects the amount, if any, of the expenditures which may be disallowed by the granting agency to be immaterial.

The City is a defendant in various lawsuits and claims. The City attorney anticipates that actual or potential claims against the City, not covered by insurance, would not materially affect the financial position of the City.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 10 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the \$3,224,982 in deferred outflows related to net pension liability in the Statement of Net Position. See Note 11 for more details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports two items related to deferred inflows, totaling \$771,396:

- \$254,686 in deferred inflows of resources related to net pension liability, see Note 11 for more details.
- \$516,710 in deferred inflows of resources related to right of use capital lease revenue in the Balance Sheet of the General Fund, see Note 4 for more details.

Note 11 – Pension Plan

Plan Description - The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – Active plan members in the Plan are required to contribute 7% of their covered salary for both miscellaneous and public safety members. The City contributes 4% of the employee portion. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the fiscal year ended June 30, 2024 Miscellaneous Classic, PEPRM Miscellaneous, Safety Classic, and PEPRM Safety were 10.10%, 7.68%, 16.45%, and 10.850%, respectively. The contribution requirements of plan members is established by State statute and the employer contribution is established and may be amended by PERS.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 11 – Pension Plan (Continued)

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	<u>Miscellaneous Classic</u>	<u>PEPRA Miscellaneous</u>
	<u>Prior to</u>	<u>On or after</u>
Hire Date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit Formula	2.0% at 60; maximum 2% COLA	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	60
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	7.75%
Required Employer Contribution Rates	10.10%	7.68%

	<u>Safety Classic</u>	<u>PEPRA Safety</u>
	<u>Prior to</u>	<u>On or after</u>
Hire Date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit Formula	2.0% at 55; maximum 2% COLA	2.0% at 57; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	55	55
Monthly Benefits, as a % of Eligible Compensation	2.00%	2.00%
Required Employee Contribution Rates	7.00%	11.00%
Required Employer Contribution Rates	16.45%	10.85%

Employees hired July 1, 2012 and thereafter pay the full 7% employee contribution per adopted Memoranda of Understanding if the employee is considered a "Classic" employee under PEPRA.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following the notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 11 – Pension Plan (Continued)

For the year ended June 30, 2024, the contributions recognized \$777,837 as part of the pension expense.

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

As of June 30, 2024, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability	
Miscellaneous Plan	\$	3,614,718
Safety Police Plan		2,091,321
Total Net Pension Liability	\$	<u>5,706,039</u>

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2023, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2023 and 2024 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion – June 30, 2023	0.06964%	0.02684%
Proportion – June 30, 2024	<u>0.07229%</u>	<u>0.02798%</u>
Change – Increase/(Decrease)	0.00265%	0.00114%

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 11 – Pension Plan (Continued)

For the year ended June 30, 2024, the City recognized pension expense of \$1,391,204. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,224,399	\$ -
Difference between expected and actual experience	338,200	(41,790)
Difference in projected and actual contributions	34,392	(212,896)
Change in employer's proportion	416,248	-
Changes in assumptions	340,289	-
Net differences between projected and actual earnings on pension plan investments	871,454	-
Total	<u>\$ 3,224,982</u>	<u>\$ (254,686)</u>

\$1,224,399 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2025	\$ 614,975
2026	406,544
2027	699,596
2028	24,782
Thereafter	-

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Note 11 – Pension Plan (Continued)

Actuarial Methods and Assumptions – The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership ¹ Date for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2017 valuation was based on the results of a December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015), including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

Change of assumptions – No changes in assumptions.

Discount rate – The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 11 – Pension Plan (Continued)

Long-term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2023.

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

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 ^{1, 2}
Global equity - cap-weighted	30%	4.50%
Global equity - noncap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	-5%	-0.59%

¹ An expected inflation of 2.30% used for this period

² Figures are based on the 2022-22 Asset Liability Management Study

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 11 – Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -
The following presents the City’s proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability:			
Miscellaneous Plan	\$ 5,753,011	\$ 3,614,718	\$ 1,854,719
Safety Police Plan	\$ 3,340,103	\$ 2,091,321	\$ 1,070,352

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – At June 30, 2024, the City has no outstanding amount of contributions to the pension plan required for the year ended June 30, 2024.

Note 12 – Subsequent Events

The City evaluated subsequent events for recognition and disclosure through April 2, 2025, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2024 that required recognition or disclosure in such financial statements.

Note 13 – Restatement of Net Position/Fund Balance

Error Correction

The City had the following restatements to the beginning fund balance/net position during the fiscal year:

	Local Transportation Fund	Governmental Activities
Fund balance/net position, previously stated	\$ 1,765,808	\$ 50,452,294
Understatement of due from other government	157,162	157,162
Overstatement of accounts payable	132,927	132,927
Fund balance/net position, restated	<u>\$ 2,055,897</u>	<u>\$ 50,742,383</u>

CITY OF KERMAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

Note 13 – Restatement of Net Position/Fund Balance (continued)

Fund Reclassifications – Major and Nonmajor Funds

During the fiscal year ended 2024, the City conducted an annual review of its fund structure. As part of this review and in compliance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the City identified necessary reclassifications to enhance transparency, improve financial reporting accuracy, and ensure consistency with updated accounting standards. As a result, the following funds were reclassified:

<u>Fund Name</u>	<u>Previous Classification</u>	<u>New Classification</u>	<u>Reason for Reclassification</u>
Street Projects & Development Fund	Major	Nonmajor	The decrease in overall activity caused the fund to no longer meet the criteria for a major fund, resulting in its reclassification as nonmajor.
State Grant Fund	Nonmajor	Major	The increase in activity in the current year met the criteria for a major fund designation
Local Transportation Fund	Nonmajor	Major	The increase in activity in the current year met the criteria for a major fund designation
Gas Tax Fund	Nonmajor	Major	The increase in activity in the current year met the criteria for a major fund designation

These reclassifications have been applied retrospectively to prior-period financial statements for comparability. The following table summarizes the impact of these reclassifications on beginning fund balances and net position:

	<u>Fund Financial Statements</u>				
	<u>Street Projects & Development</u>	<u>Local Transportation</u>	<u>Gas Tax</u>	<u>Other Governmental Funds</u>	<u>Government-Wide Activities</u>
Beginning of year, as previously stated	\$ 70,814	\$ -	\$ -	\$ 5,142,662	\$ 50,452,294
Error correction	-	290,089	-	-	290,089
Change within financial reporting entity (major to nonmajor)	(70,814)	-	-	70,814	-
Change within financial reporting entity (nonmajor to major)	-	1,765,808	969,908	(2,735,716)	-
Beginning of year, restated	<u>\$ -</u>	<u>\$ 2,055,897</u>	<u>\$ 969,908</u>	<u>\$ 2,477,760</u>	<u>\$ 50,742,383</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KERMAN

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive/ (Negative)
	Original	Final	Amounts	
Revenue				
Taxes	\$ 8,342,926	8,342,925.89	\$ 9,135,520	\$ 792,594
Licenses, permits and impact fees	889,959	889,959	935,220	45,261
Intergovernmental	516,591	516,591	556,088	39,497
Charges for services	267,988	267,988	240,764	(27,224)
Fines and forfeitures	46,732	46,732	46,727	(5)
Rents	162,162	162,162	87,372	(74,790)
Investment earning, net of unrealized gain/(loss)	170,783	170,783	465,427	294,644
Other	91,225	91,225	137,574	46,349
Total revenue	<u>10,488,365</u>	<u>10,488,365</u>	<u>11,604,692</u>	<u>1,116,327</u>
Expenditures				
Current				
General government	1,324,548	1,324,548	1,458,732	(134,184)
Public works	1,661,829	1,661,829	1,249,444	412,385
Community development	632,265	632,265	590,126	42,139
Social services	828,021	828,021	777,468	50,553
Public safety	5,153,307	5,153,307	4,386,219	767,088
Capital outlay	<u>1,101,430</u>	<u>1,101,430</u>	<u>977,391</u>	<u>124,039</u>
Total expenditures	<u>10,701,399</u>	<u>10,701,399</u>	<u>9,439,380</u>	<u>1,262,019</u>
Revenue over (under) expenditures	(213,034)	(213,034)	2,165,312	2,378,346
Other Financing Sources				
Lease revenues	-	-	98,650	98,650
Transfers in (out) - net	<u>(1,103,274)</u>	<u>(1,103,274)</u>	<u>(590,567)</u>	<u>512,707</u>
Net Change in Fund Balance	<u>\$ (1,316,308)</u>	<u>\$ (1,316,308)</u>	1,673,395	<u>\$ 2,891,053</u>
Fund Balance				
Beginning of year			13,901,779	
End of year			<u>\$ 15,575,174</u>	

CITY OF KERMAN

BUDGETARY COMPARISON SCHEDULE

STREET MAINTENANCE AND CONSTRUCTION CAPITAL PROJECT FUND

YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ 1,162,887	\$ 1,162,887	\$ 158,636	\$ (1,004,251)
Total revenue	<u>1,162,887</u>	<u>1,162,887</u>	<u>158,636</u>	<u>(1,004,251)</u>
Expenditures				
Capital outlay	<u>1,170,087</u>	<u>1,170,087</u>	<u>157,147</u>	<u>1,012,940</u>
Total expenditures	<u>1,170,087</u>	<u>1,170,087</u>	<u>157,147</u>	<u>1,012,940</u>
Revenue over expenditures	(7,200)	(7,200)	1,489	8,689
Other Financing Sources/(Uses)				
Transfers in/(out) - net	<u>-</u>	<u>-</u>	<u>(1,489)</u>	<u>(1,489)</u>
Change in Fund Balance	<u>\$ (7,200)</u>	<u>\$ (7,200)</u>	<u>-</u>	<u>\$ 7,200</u>
Fund Balance				
Beginning of year			<u>3,655,780</u>	
End of year			<u>\$ 3,655,780</u>	

CITY OF KERMAN

BUDGETARY COMPARISON SCHEDULE GAS TAX FUND YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive/ (Negative)
Revenue				
Intergovernmental	\$ 468,565	\$ 468,565	\$ 459,010	\$ (9,555)
Interest	13,300	13,300	30,655	17,355
Total revenue	481,865	481,865	489,665	7,800
Expenditures				
Public works	88,040	88,040	138,689	(50,649)
Capital outlay	334,678	334,678	468,942	(134,264)
Debt Service				
Principal	4,972	4,972	-	4,972
Total expenditures	427,690	427,690	607,631	(179,941)
Revenue over expenditures	54,175	54,175	(117,966)	(172,141)
Other Financing Sources/(Uses)				
Transfers in/(out) - net	15,054	15,054	15,995	941
Change in Fund Balance	\$ 69,229	\$ 69,229	(101,971)	\$ (171,200)
Fund Balance				
Beginning of year			969,908	
End of year			\$ 867,937	

CITY OF KERMAN

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST TEN YEARS* YEAR ENDED JUNE 30, 2024

Safety Plan							
	Proportion of the net	Proportionate share of	Covered - employee	Proportionate share of the net		Plan's fiduciary net position as a	
	pension liability	the net pension liability	payroll	pension liability as percentage of		percentage of the Total Pension	
				covered-employee payroll	Plan's fiduciary net position	Liability	
2014	0.01281%	\$ 797,321	\$ 1,144,549	69.66%	\$ 4,290,975		81.42%
2015	0.01575%	\$ 648,972	\$ 1,241,193	52.29%	\$ 3,869,632		85.62%
2016	0.01854%	\$ 959,979	\$ 1,457,400	65.87%	\$ 3,916,861		80.32%
2017	0.01899%	\$ 1,134,650	\$ 1,411,999	80.36%	\$ 4,136,749		78.48%
2018	0.01968%	\$ 1,154,435	\$ 1,645,891	70.14%	\$ 4,431,768		79.33%
2019	0.02088%	\$ 1,303,386	\$ 1,585,991	82.18%	\$ 4,934,602		79.11%
2020	0.02259%	\$ 1,504,784	\$ 1,628,209	92.42%	\$ 5,238,533		77.68%
2021	0.01971%	\$ 691,756	\$ 1,558,752	44.38%	\$ 6,678,594		90.61%
2022	0.02684%	\$ 1,844,146	\$ 1,726,380	106.82%	\$ 6,626,406		78.23%
2023	0.02798%	\$ 2,091,321	\$ 1,649,092	126.82%	\$ 7,011,773		77.03%
Miscellaneous Plan							
	Proportion of the net	Proportionate share of	Covered - employee	Proportionate share of the net		Plan's fiduciary net position as a	
	pension liability	the net pension liability	payroll	pension liability as percentage of		percentage of the Total Pension	
				covered-employee payroll	Plan's fiduciary net position	Liability	
2014	0.02196%	\$ 1,366,654	\$ 2,046,348	66.79%	\$ 6,686,104		83.03%
2015	0.04266%	\$ 1,170,147	\$ 1,858,214	62.97%	\$ 7,331,180		86.23%
2016	0.04971%	\$ 1,726,827	\$ 2,065,491	83.60%	\$ 7,344,945		80.96%
2017	0.05351%	\$ 2,109,314	\$ 2,138,981	98.61%	\$ 8,344,687		79.82%
2018	0.05485%	\$ 2,067,174	\$ 2,009,964	102.85%	\$ 8,856,335		81.08%
2019	0.05836%	\$ 2,337,202	\$ 2,297,565	101.73%	\$ 9,508,983		80.27%
2020	0.06208%	\$ 2,618,410	\$ 2,571,344	101.83%	\$ 10,082,879		79.38%
2021	0.06029%	\$ 1,144,848	\$ 2,360,679	48.50%	\$ 12,469,009		91.59%
2022	0.06964%	\$ 3,258,465	\$ 2,326,594	140.05%	\$ 11,524,805		104.34%
2023	0.07229%	\$ 3,614,718	\$ 3,175,067	113.85%	\$ 12,195,713		77.14%

CITY OF KERMAN

SCHEDULE OF CONTRIBUTIONS LAST TEN YEARS* YEAR ENDED JUNE 30, 2024

Safety Plan

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$ 182,432	\$ (182,432)	\$ -	\$ 1,144,549	15.94%
2016	\$ 179,871	\$ (179,871)	\$ -	\$ 1,241,193	14.49%
2017	\$ 194,771	\$ (194,771)	\$ -	\$ 1,457,400	13.36%
2018	\$ 182,432	\$ (182,432)	\$ -	\$ 1,411,999	12.92%
2019	\$ 248,979	\$ (248,979)	\$ -	\$ 1,645,891	15.13%
2020	\$ 275,389	\$ (275,389)	\$ -	\$ 1,585,991	17.36%
2021	\$ 318,886	\$ (318,886)	\$ -	\$ 1,628,209	19.59%
2022	\$ 334,035	\$ (334,035)	\$ -	\$ 1,558,752	21.43%
2023	\$ 326,093	\$ (326,093)	\$ -	\$ 1,726,380	18.89%
2024	\$ 544,409	\$ (544,409)	\$ -	\$ 1,649,092	33.01%

Miscellaneous

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$ 139,800	\$ (139,800)	\$ -	\$ 2,046,348	6.83%
2016	\$ 170,449	\$ (170,449)	\$ -	\$ 1,858,214	9.17%
2017	\$ 198,655	\$ (198,655)	\$ -	\$ 2,065,491	9.62%
2018	\$ 233,708	\$ (233,708)	\$ -	\$ 2,138,981	10.93%
2019	\$ 266,848	\$ (266,848)	\$ -	\$ 2,009,964	13.28%
2020	\$ 329,826	\$ (329,826)	\$ -	\$ 2,297,565	14.36%
2021	\$ 365,112	\$ (365,112)	\$ -	\$ 2,571,344	14.20%
2022	\$ 398,314	\$ (398,314)	\$ -	\$ 2,360,679	16.87%
2023	\$ 451,744	\$ (451,744)	\$ -	\$ 2,326,594	19.42%
2024	\$ 679,990	\$ (679,990)	\$ -	\$ 3,175,067	21.42%

SUPPLEMENTAL ONLY INFORMATION

CITY OF KERMAN

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2024

	Special Revenue Funds				
	Measure C	Senior Center	Maintenance District	SB1 Road Maintenance	Park Grants
ASSETS					
Cash and investments	\$ 621,587	\$ -	\$ 204,529	\$ 339,164	\$ -
Due from other governments	43,639	14,194	17,501	76,254	-
Total assets	<u>\$ 665,226</u>	<u>\$ 14,194</u>	<u>\$ 222,030</u>	<u>\$ 415,418</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expense	\$ 10,777	\$ 890	\$ 11,829	\$ 10,460	\$ -
Due to other funds	-	13,304	-	-	-
Total liabilities	<u>10,777</u>	<u>14,194</u>	<u>11,829</u>	<u>10,460</u>	<u>-</u>
Fund Balance					
Restricted					
Circulation improvements	654,449	-	-	404,958	-
Development activities	-	-	210,201	-	-
Unassigned	-	-	-	-	-
Total fund balance	<u>654,449</u>	<u>-</u>	<u>210,201</u>	<u>404,958</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 665,226</u>	<u>\$ 14,194</u>	<u>\$ 222,030</u>	<u>\$ 415,418</u>	<u>\$ -</u>

CITY OF KERMAN

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) JUNE 30, 2024

	Capital Projects Funds			
	Jobs/Housing Mitigation	Public Building Facility	Fire Facility	Park Development
ASSETS				
Cash and investments	\$ 69,377	\$ 20,283	\$ 732,781	\$ -
Due from other governments	-	-	-	-
Total assets	<u>\$ 69,377</u>	<u>\$ 20,283</u>	<u>\$ 732,781</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expense	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	9,698
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,698</u>
Fund Balance				
Restricted				
Circulation improvements	-	-	-	-
Development activities	69,377	20,283	732,781	-
Unassigned	-	-	-	(9,698)
Total fund balance	<u>69,377</u>	<u>20,283</u>	<u>732,781</u>	<u>(9,698)</u>
Total liabilities and fund balance	<u>\$ 69,377</u>	<u>\$ 20,283</u>	<u>\$ 732,781</u>	<u>\$ -</u>

CITY OF KERMAN

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) JUNE 30, 2024

	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
	<u>Formerly Major</u>	<u>Kerman Public</u>	<u>Non-major</u>
	<u>Street Projects</u>	<u>Financing</u>	<u>Governmental</u>
	<u>& Development</u>	<u>Authority</u>	<u>Funds</u>
ASSETS			
Cash and investments	\$ 114,378	\$ -	\$ 2,102,099
Due from other governments	-	-	151,588
Total assets	<u>\$ 114,378</u>	<u>\$ -</u>	<u>\$ 2,253,687</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable and accrued expense	\$ -	\$ -	\$ 33,956
Due to other funds	-	-	23,002
Total liabilities	<u>-</u>	<u>-</u>	<u>56,958</u>
Fund Balance			
Restricted			
Circulation improvements	-	-	1,059,407
Development activities	114,378	-	1,147,020
Unassigned	-	-	(9,698)
Total fund balance	<u>114,378</u>	<u>-</u>	<u>2,196,729</u>
Total liabilities and fund balance	<u>\$ 114,378</u>	<u>\$ -</u>	<u>\$ 2,253,687</u>

CITY OF KERMAN

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2024

	Special Revenue Funds				
	Measure C	Senior Center	Maintenance District	SB1 Road Maintenance	Park Grants
Revenue					
Taxes	\$ -	\$ -	\$ 380,457	\$ 437,542	\$ -
Developer impact fees	-	-	-	-	-
Intergovernmental	637,248	23,132	-	-	-
Charges for services	-	2,084	-	-	-
Rents	-	-	-	-	-
Interest	15,125	-	3,532	12,341	-
Other	-	-	17,651	-	-
Total revenue	<u>652,373</u>	<u>25,216</u>	<u>401,640</u>	<u>449,883</u>	<u>-</u>
Expenditures					
Public works	496,682	-	352,728	-	-
Community development	-	-	-	-	-
Social services	-	31,634	-	-	230
Capital outlay	9,586	-	637	926,861	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>506,268</u>	<u>31,634</u>	<u>353,365</u>	<u>926,861</u>	<u>230</u>
Revenue over (under) expenditures	146,105	(6,418)	48,275	(476,978)	(230)
Other financing sources/(uses)					
Operating transfers in/(out) - net	<u>(60,339)</u>	<u>6,418</u>	<u>(21,765)</u>	<u>-</u>	<u>-</u>
	<u>(60,339)</u>	<u>6,418</u>	<u>(21,765)</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	85,766	-	26,510	(476,978)	(230)
Fund Balance					
Beginning of year, as previously stated	568,683	-	183,691	881,936	230
Change within financial reporting entity (major to nonmajor)	-	-	-	-	-
Change within financial reporting entity (nonmajor to major)	-	-	-	-	-
Beginning of year, as restated	<u>568,683</u>	<u>-</u>	<u>183,691</u>	<u>881,936</u>	<u>230</u>
End of year	<u>\$ 654,449</u>	<u>\$ -</u>	<u>\$ 210,201</u>	<u>\$ 404,958</u>	<u>\$ -</u>

CITY OF KERMAN

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2024

	Capital Projects Funds			
	Jobs/Housing Mitigation	Public Building Facility	Fire Facility	Park Development
Revenue				
Taxes	\$ -	\$ -	\$ -	\$ -
Developer impact fees	-	38,340	19,926	44,936
Intergovernmental	-	-	-	-
Rents	-	-	-	-
Interest	1,750	713	18,413	6,821
Other	-	-	-	-
Total revenue	<u>1,750</u>	<u>39,053</u>	<u>38,339</u>	<u>51,757</u>
Expenditures				
Public works	-	-	-	-
Community development	-	50,549	-	-
Social services	-	-	-	40,013
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>50,549</u>	<u>-</u>	<u>40,013</u>
Revenue over (under) expenditures	1,750	(11,496)	38,339	11,744
Other financing sources/(uses)				
Operating transfers in/(out) - net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	1,750	(11,496)	38,339	11,744
Fund Balance				
Beginning of year, as previously stated	67,627	31,779	694,442	(21,442)
Change within financial reporting entity (major to nonmajor)	-	-	-	-
Change within financial reporting entity (nonmajor to major)	-	-	-	-
Beginning of year, as restated	<u>67,627</u>	<u>31,779</u>	<u>694,442</u>	<u>(21,442)</u>
End of year	<u>\$ 69,377</u>	<u>\$ 20,283</u>	<u>\$ 732,781</u>	<u>\$ (9,698)</u>

CITY OF KERMAN

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED) YEAR ENDED JUNE 30, 2024

	Capital Project Funds			Debt Service Fund Kerman Public Financing Authority	Total Non-major Governmental Funds
	Formerly Major Streets Projects & Development	Formerly Nonmajor Fund State Grants	Formerly Nonmajor Fund Local Transportation	Formerly Nonmajor Fund Gas Tax	
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 817,999
Developer impact fees	64,103	-	-	-	167,305
Intergovernmental	-	-	-	-	660,380
Charges for services	-	-	-	-	2,084
Rents	-	-	-	240,510	240,510
Interest	2,711	-	-	-	61,406
Other	-	-	-	-	17,651
Total revenue	66,814	-	-	240,510	1,967,335
Expenditures					
Public works	23,250	-	-	-	872,660
Community development	-	-	-	-	50,549
Social services	-	-	-	-	71,877
Capital outlay	-	-	-	-	937,084
Debt service					
Principal	-	-	-	173,000	173,000
Interest and fiscal charges	-	-	-	67,510	67,510
Total expenditures	23,250	-	-	240,510	2,172,680
Revenue over (under) expenditures	43,564	-	-	-	(205,345)
Other financing sources/(uses)					
Operating transfers in/(out) - net	-	-	-	-	(75,686)
	-	-	-	-	(75,686)
Change in Fund Balance	43,564	-	-	-	(281,031)
Fund Balance					
Beginning of year, as previously stated	-	-	1,765,808	969,908	5,142,662
Change within financial reporting entity (major to nonmajor)	70,814	-	-	-	70,814
Change within financial reporting entity (nonmajor to major)	-	-	(1,765,808)	(969,908)	(2,735,716)
Beginning of year, as restated	70,814	-	1,765,808	969,908	5,213,476
End of year	\$ 114,378	\$ -	\$ -	\$ -	\$ 2,196,729

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council
City of Kerman, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Kerman (the "City"), California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 2, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "Neddy" followed by a stylized flourish.

April 2, 2025