



STAFF REPORT

MEETING DATE: April 28, 2024

PRESENTER: Josefina Alvarez, Finance Director

SUBJECT: Presentation of the City of Kerman 2022/2023 Auditor's Report and Financial Statements (JA)

RECOMMENDATION: Council accept the City of Kerman 2022/2023 Auditor's Report and Financial Statements as presented.

EXECUTIVE SUMMARY:

The City's independent auditor, Bryant L. Jolley, CPA has completed and submitted the audited financial statements for the year ended June 30, 2023. The purpose of the audit is to determine that the financial statements are free of material misstatement and are fairly presented in accordance with the Generally Accepted Accounting Principles (GAAP) in the United States. A copy of the audited financial statements was enclosed with your agenda. Ryan P. Jolley will present the audited financial statements to the City Council.

Staff is pleased to report that the audited financial statements do not contain any negative notes or audit findings raised by the auditors. Below are some highlights, additional information can be found on page 4 through 12 of the audited financial statements.

Government-wide the City's net position increased by \$11,100,976 over Fiscal Year ending June 30, 2022.

Government Wide (Government and Proprietary Funds) Statement of Revenues, Expenses and Changes in Net Position

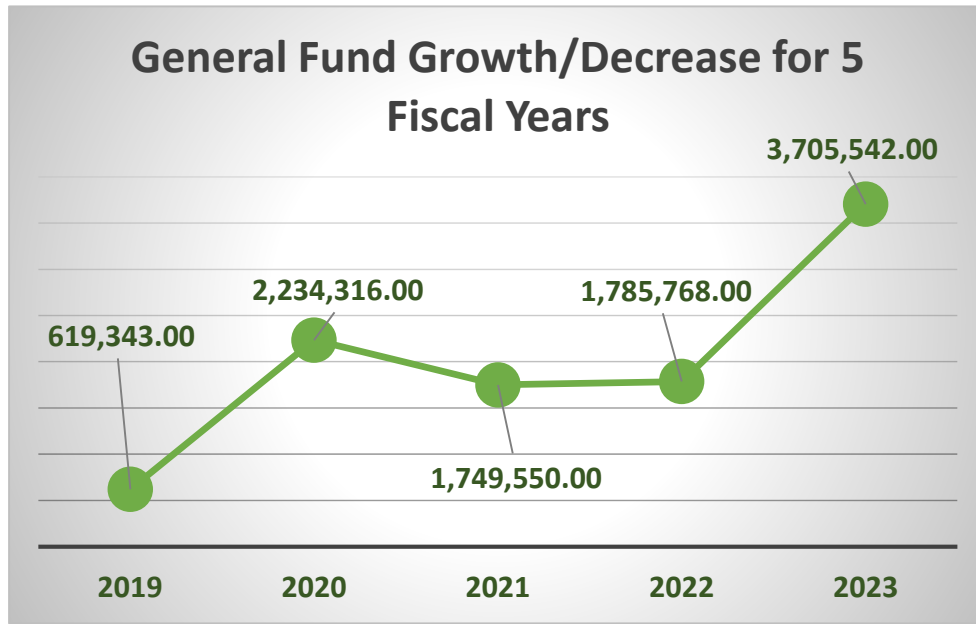
	2022	2023
Operating Revenues	\$ 22,593,937	\$ 28,940,036
Operating Expenses	15,179,941	17,839,060
Increase in Net Position	7,413,996	11,100,976
Net Position, Beginning of Year	56,607,084	64,021,080
Net Position, End of Year	\$ 64,021,080	\$ 75,122,056

Government-wide operating revenues for 2023 increased by \$6,346,099 and operating expenses increased by \$2,659,119 for a change in Net Position of \$11,100,976 for Fiscal Year ending 2023 (page 5).

Governemnt-wide cash and investments is \$32,107,199, which is an increase of \$9,395,573 compared to June 30, 2022 (page 22).

The General Fund has a Reserve Balance of \$13,901,779 as of June 30, 2023. This is an increase of \$3,705,542 or 26.66%.

The chart below illustrates the General Fund Growth Reserves for five fiscal years.



The City Council adopted a reserve policy by resolution on September 17, 2014, for the purpose of establishing a target and minimum level of unreserved fund balance in the General Fund to protect against unanticipated circumstances and events resulting in revenue shortfalls or unexpected expenditures.

Reserve Category	Purpose	Minimum Reserve
Emergency Reserve	Cover an emergency, unanticipated expense or cash flow needs	22% of operating expenditures or \$1,897,652
Revenue Stability Reserve	Cover any unanticipated drop in sales or property tax revenues	13% of operating expenditures or \$1,138,591
Major Asset Repair and Replacement Reserve	Cover any repairs and replacement of major facilities and equipment	13% for repairs and 9% for replacement of operating expenditures or \$1,138,591
Undesignated Reserve	Cover any discretionary expenditures approved by the Council	Any amount remaining after meeting minimum reserves or \$9,726,945

The Change in Fund Net Position for the Proprietary Funds increased a net of \$4,442,001 (before transfers) with water at \$3,986,950, sewer at \$334,379, disposal at \$185,537 and storm drain at (minus) -\$64,865 and \$4,380,851 (with transfers) with water at \$4,135,606, sewer at \$235,549, disposal at \$93,144 and storm drain at (minus) -\$83,448 (page 11).

FISCAL IMPACT:

The presentation of the City of Kerman 2022/2023 Audited Financial Statements does not have a financial impact on the City, but it does report the results from operations in the Fiscal Year 2022/2023, with an increase of \$3,705,542 or 26.66% of General Fund Reserves.

ATTACHMENTS:

- A. Auditor's Report and Financial Statements
- B. Management Report