



# STAFF REPORT

**MEETING DATE:** January 11, 2022

**PRESENTER:** Josefina Alvarez, Interim Finance Director

**SUBJECT:** Presentation of the City of Kerman 2021-2022 Auditor’s Report and Financial Statements

**RECOMMENDATION:** Council accept the City of Kerman 2021-2022 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, 2022. The purpose of the audit is to determine that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted 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 \$7,413,996 over Fiscal Year ending June 30, 2021.

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

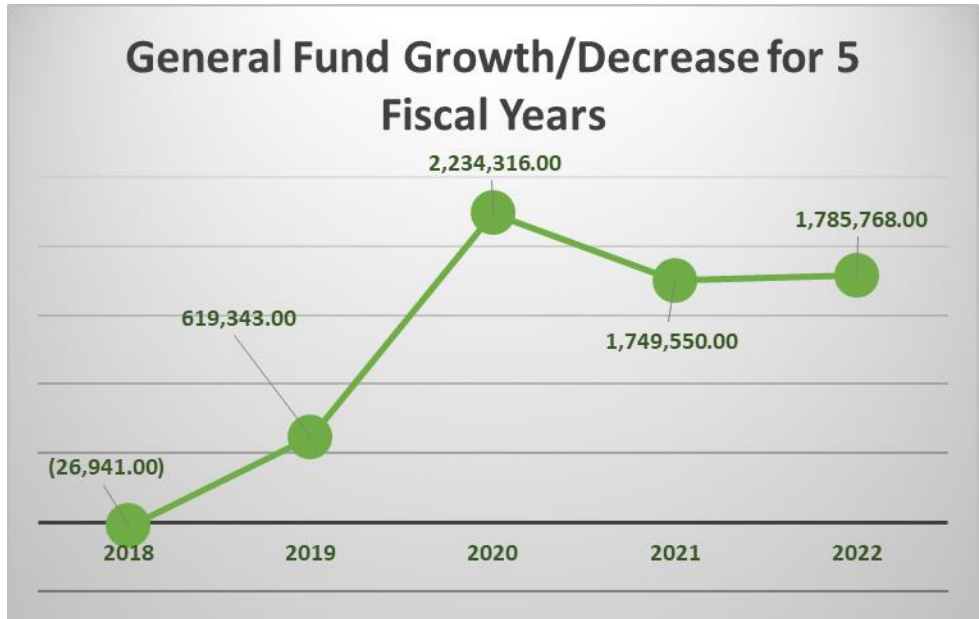
	2022	2021
Operating Revenues	\$ 22,593,937	\$ 19,712,640
Operating Expenses	15,179,941	14,376,692
Increase in Net Position	7,413,996	5,335,948
Net Position, Beginning of Year	56,607,084	51,271,136
Net Position, End of Year	\$ 64,021,080	\$ 56,607,084

Government-wide operating revenues for 2022 increased by \$2,881,297 and operating expenses increased by \$803,249 for a change in Net Position of \$7,413,996 for Fiscal Year ending 2022 (page 5)

Government-wide cash and investments is \$22,711,626, which is an increase of \$5,237,891 compared to June 30, 2021 (page 22).

The General Fund has a Reserve Balance of \$10,196,237 as of June 30, 2022. This is an increase of \$1,785,768 or 21.23%. This increase is mainly due to increase in sales & use tax and property taxes.

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



The General Fund budget for Fiscal Year 2021-2022 was projected to have a deficit of \$2,853,622. The excess was mainly due to capital projects funded by Measure M.

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 \$1,885,089
Revenue Stability Reserve	Cover any unanticipated drop in sales or property tax revenues	13% of operating expenditures or \$1,131,053
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 \$1,131,053
Undesignated Reserve	Cover any discretionary expenditures approved by the Council	Any amount remaining after meeting minimum reserves or \$4,163,275

The Change in Fund Net Position for the Proprietary Funds increased a net of \$1,434,116 (before transfers) with water at \$913,911, sewer at \$280,372, disposal at \$160,749 and storm drain at \$79,084 and \$1,003,237 (with transfers) with water at \$730,481, sewer at \$144,679, disposal at \$68,619 and storm drain at \$59,458 (page 11).

**FISCAL IMPACT:** The presentation of the City of Kerman 2021-2022 Audited Financial Statements does not have a financial impact on the City, but it does report the results from operations in the Fiscal Year 2021-2022, with an increase of \$1,785,768 or 21.23% of General Fund Reserves.

**ATTACHMENTS:** A. Auditor's Report and Financial Statements

B. Management Report