



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: APRIL 22, 2025

DEPARTMENT: FINANCE

FROM: SELINA ANDREWS, FINANCE DIRECTOR

TITLE: 2024 ANNUAL COMPREHENSIVE FINANCIAL REPORT

RECOMMENDED MOTION:

A motion to receive the Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2024.

EXECUTIVE SUMMARY:

The Annual Comprehensive Financial Report (ACFR) serves as a comprehensive financial document that provides an in-depth account of a government entity's financial performance, position, and cash flows over a specific fiscal year. It provides transparency, accountability, and insight into the City of Salinas' (City) financial health, enabling stakeholders, including City Council, residents of Salinas, creditors, investors, and other interested parties, to make informed decisions.

BACKGROUND:

The City contracts with an independent certified public accountant to examine the books, records, inventories, and reports of all officers and employees who receive, handle, or disburse public funds each fiscal year (FY). The FY 2023-24 audit was performed by Pun and Associates, LLP, an experienced firm that specializes in audit services for California public agencies. The information contained in the ACFR provides detailed financial information which the Salinas community and others can use to better understand the fiscal standing of the City.

In addition, the financial information contained in the document is one element that the credit rating agencies review annually to affix a credit rating for the City's outstanding debt obligations. The annual audited financial statements are also required by continuing disclosure agreements for the outstanding bonds issued by the City.

In 2022, the City contracted with Pun and Associates, LLC (Auditors), a firm of Certified Public Accountants licensed to practice in the State of California, to perform the City's annual independent audit for the Fiscal Years ended June 30, 2022, June 30, 2023, and June 30, 2024, with two one-year options to extend audit services through Fiscal Year ending June 30, 2026.

The ACFR is prepared by the Accounting Division of the Finance Department and represents the culmination of a concerted team effort by the Finance Department staff along with significant involvement of other City Departments. The ACFR is submitted to the City Council for consideration and acceptance, and to provide the residents of Salinas, creditors, investors, taxpayers, and other interested parties an overview of the relevant financial information contained in the ACFR.

Independent Auditor's Report

The auditor has given the City's financial statements a "clean" audit opinion for the year ended June 30, 2024 giving reasonable assurance that the financial statements are "free of material misstatement" (Attachment 1).

Management's Discussion and Analysis (MD&A)

The MD&A section of the report summarizes for the City on an entity-wide basis and fund type basis. Information is provided in this section with a year-to-year view, explaining how fund balances have changed between fiscal years ending June 30, 2023, and June 30, 2024. Information is also presented on the adopted General Fund budget to actuals and any significant budget adjustments made during FY 2023-24.

Statement of Net Position

The Statement of Net Position serves as a useful indicator of a government's financial position. The City had net assets of \$241.7 million at fiscal year-end as compared to \$245.7 million the prior year, an overall decrease of \$4.0 million over the prior fiscal year. The decrease was a result of a variety of factors, including an increase in current liabilities. The largest portion of the net assets, \$267.5 million, represents the City's investment in its capital assets and infrastructure. Restricted assets of \$90.0 million are resources that are subject to external restrictions on how they may be used. As of June 30, 2024, unrestricted net position is (\$115.4) million compared to (\$96.3) million the prior year. This means that future revenues will be needed to make up past revenue shortfalls.

Basic Financial Statements

This section contains basic financial statements, including the "entity-wide" Statement of Net Position for Governmental Funds (such as the General Fund), Proprietary Funds, and the Private Purpose Trust Funds (Fiduciary Funds). The footnotes section provides details on significant items such as the City's cash and investments (Note 3), its long-term obligations (Certificates of Participation) related to bonded debt (Note 13), the net pension liability for both the City's miscellaneous and safety pension plans (Note 17), and a discussion of the City's other post-employment benefit plan (Note 18).

Required Supplementary Information

The Schedules of Pension Plan Contributions are provided in this section.

Supplementary Information

This section provides budget to actual information for “major” and “non-major” Governmental Funds.

Conclusion

As noted in the auditor’s opinion, the ACFR fairly presents the fiscal year ending June 30, 2024 financial activity for the City of Salinas.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

CALIFORNIA GOVERNMENT CODE §84308 APPLIES:

No.

STRATEGIC PLAN INITIATIVE:

The audited financial statements are part of upholding the Council Goal of Operational Efficiencies.

DEPARTMENTAL COORDINATION:

This staff report was coordinated with the City Attorney’s Office and Administration.

FISCAL AND SUSTAINABILITY IMPACT:

There is no direct fiscal impact associated with receiving the report.

Fund	Appropriation	Appropriation Name	Total Appropriation	Amount for recommendation	FY 24-25 Operating Budget Page	Last Budget Action (Date, Resolution)
n/a	n/a	n/a	n/a	n/a	n/a	n/a

ATTACHMENTS:

2024 ACFR
Resolution