



CITY OF SALINAS

COUNCIL STAFF REPORT

DATE: FEBRUARY 24, 2026

DEPARTMENT: FINANCE

FROM: SELINA ANDREWS, FINANCE DIRECTOR
ABE PEDROZA, ASSISTANT FINANCE DIRECTOR

TITLE: 2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT

RECOMMENDED MOTION:

A motion to approve a resolution receiving and accepting the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.

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. The full audit report is included as **Attachment A**.

BACKGROUND:

The City contracts with an independent certified public accountant to examine the books, records, inventories, reports, and processes that involve any officers and employees who receive, handle, or disburse public funds each fiscal year (FY). The FY 2024-25 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.

Historically, the City has only produced the required basic financial statements. This year the City produced an ACFR which includes a statistical section in addition to the introductory and financial sections. This is a significant improvement from what was done in the past because the City is now producing the standard document similar to most other municipalities. The additional sections allow the City to apply for the Certificate of Excellence in Financial Reporting Award (COA) for the first time.

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 provides the residents of Salinas, creditors, investors, taxpayers, and other interested parties an overview of the relevant financial information contained in the ACFR.

On February 3, 2026, the City's external auditor in coordination with staff presented the ACFR to the Finance Committee. The presentation included audit responsibilities, an overview of financial statements, and audit results. The presentation is included as **Attachment B**.

Independent Auditor's Report

The auditor has given the City's financial statements a "clean" audit opinion for the year ended June 30, 2025, giving reasonable assurance that the financial statements are "free of material misstatement".

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, 2024, and June 30, 2025. Information is also presented on the adopted General Fund budget to actuals and any significant budget adjustments made during FY 2024-25.

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 \$269.1 million at fiscal year-end as compared to \$241.7 million the prior year, an overall increase of \$27.4 million over the prior fiscal year. The increase was a result of a variety of factors, including a decrease in total liabilities. The largest portion of the net assets, \$264.1 million, represents the City's investment in its capital assets and infrastructure. Restricted assets of \$123.7 million are resources that are subject to external restrictions on how they may be used. As of June 30, 2025, unrestricted net position is (\$118.8) million compared to (\$115.4) 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 12), the net pension liability for both the City’s miscellaneous and safety pension plans (Note 16), and a discussion of the City’s other post-employment benefit plan (Note 17).

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.

Statistical Section

The statistical section is designed to assist users in evaluating the economic condition of a City by presenting detailed information, often in ten-year trends. It includes the following:

- Financial Trends Information: This helps users understand the financial status over time.
- Revenue Capacity Information: This provides insights into the City’s ability to generate revenue.
- Debt Capacity Information: This assesses the City’s ability to incur debt.
- Demographic and Economic Information: This includes data about the population and economic conditions.
- Operating information: This provides details on the City’s operations and services.

Conclusion

As noted in the auditor’s opinion, the ACFR fairly presents the fiscal year ending June 30, 2025 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 ACFR achieves the City Council 2025 Strategic Goal of City Services ensuring fiscal responsibility and financial management.

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:

Resolution

Attachment A – 2025 ACFR

Attachment B – 2025 ACFR Finance Committee Presentation