



## CITY COUNCIL STAFF REPORT

**MEETING DATE:** November 25, 2024

**ITEM TITLE:** Adopt a Resolution Accepting the City of San Carlos's Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ending June 30, 2024.

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### RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution accepting the City of San Carlos's Annual Comprehensive Financial Report (ACFR) for the fiscal year (FY) ending June 30, 2024.

### FISCAL IMPLICATIONS:

There is no fiscal impact associated with accepting the FY 2023-24 ACFR.

### BACKGROUND:

The financial statements of the City of San Carlos for the fiscal year ending June 30, 2024 were prepared by the Administrative Services Department staff and examined by an independent auditing firm Badawi and Associates, in accordance with Governmental Accounting Standards Board (GASB) Statement 34. It is the opinion of the auditors that the financial statements present fairly, in all material respects, the respective financial position of the City as of June 30, 2024, and that the financial statements were prepared in conformity with generally accepted accounting principles (GAAP).

The Administrative Services Department incorporates the financial statements into the ACFR, the purpose of which is to present an easily readable and organized report of the financial transactions of the City. The ACFR provides members of the public with a wide variety of information needed to evaluate the financial condition of the City. The final step in the formal process of preparing these financial statements is to transmit them to the City Council for acceptance.

### ANALYSIS:

During its audit, Badawi and Associates also assessed the City's internal controls over financial reporting in order to determine whether the City's audit procedures are appropriate for the purpose of expressing opinions on the financial statements. Badawi and Associates did not find any deficiencies and issued a clean report. The Transmittal Letter and the Management, Discussion and Analysis ("MD&A") sections of the ACFR summarize the financial results for the fiscal year ending June 30, 2024.

The change in net position, compared to the previous fiscal year, was an increase of \$37.2 million.

As of June 30, 2024, the citywide net position was \$407.3 million.

The City's General Fund revenues increased by \$3.6 million, or 5.8%, compared to the prior fiscal year amount of \$62.3 million. General Fund revenues, including property taxes, use of money and property, licenses and permits, and transient occupancy taxes increased compared to the prior year.

The City's General Fund expenditures totaled \$53.8 million, an increase of \$4.5 million, or 9.1%, from prior year expenditures of \$49.3 million. The increase in expenditures was primarily caused by increases in public safety contracts, increases in salaries and benefits per negotiated employee agreements, and a one-time payment of \$3.0 million to CalPERS towards the City's unfunded pension liability.

The net increase in fund balance for the year ending June 30, 2024 in the General Fund was \$4.5 million and the ending fund balance was \$59.0 million.

Additional details and information regarding the other operating and capital funds can be found in the attached financial statements, MD&A, and notes to the financial statements.

In parallel with the main financial audit, the auditors also carried out an Award Examination, in relation to the State and Local Fiscal Recovery Funds (SLFRF) the City previously received under the American Rescue Plan Act (ARPA), to determine that all compliance requirements have been met for the year ended June 30, 2024. After performing the examination, the auditors issued an opinion that the City had complied, in all material respects, with the necessary specified requirements of the award during the year ended June 30, 2024.

#### ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt a Resolution accepting the City of San Carlos's Annual Comprehensive Financial Report for the fiscal year ending June 30, 2024; or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:

A handwritten signature in black ink, appearing to be 'J. Maltbie', written in a cursive style.

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Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution
2. FY 2023-24 Annual Comprehensive Financial Report