



## CONSENT CALENDAR

### City of San Bernardino Request for Council Action

**Date:** March 19, 2025

**To:** Honorable Mayor and City Council Members

**From:** Bill Gallardo, Interim City Manager  
C. Jeannie Fortune, Interim Director of Finance & Management Services

**Department:** Finance & Management Services

**Subject:** **Receive and File the City's Annual Comprehensive Financial Report (ACFR) and Popular Annual Financial Report (PAFR) for the Year Ended June 30, 2024 (All Wards)**

#### **Recommendation:**

It is recommended that the Mayor and City Council of the City of San Bernardino, California, receive and file City's Annual Comprehensive Financial Report (ACFR) and Popular Annual Financial Report (PAFR) for the Year Ended June 30, 2024.

#### **Executive Summary**

Pursuant to California law, each year, the City has an independent audit conducted of its financial statements and related internal control procedures. The audit for the fiscal year ended June 30, 2024 has been completed and the Annual Financial Report issued by the City's auditor, Rogers, Anderson, Malody and Scott, LLP (RAMS).

#### **Background**

The information in the ACFR is designed to be used by potential investors and rating agencies, and the language throughout is technical, making for dry reading material. As a result, in an effort to provide the City of San Bernardino community with more transparent and accessible financial information, the Finance department is completing the City's Popular Annual Financial Report (PAFR) for FY 2023/24. The PAFR is an abbreviated version of the City's annual report designed to communicate the financial performance of the City more effectively to the community. The objective of the PAFR is to simplify the information in the ACFR and better inform the public about the overall financial condition of the City without the heavy use of technical accounting terms or excessive detail. The FY2023/24 PAFR will be posted to the City's website in both Spanish and English. Copies will also be available at the libraries.

## **Discussion**

The ACFR contains three sections:

1. Introductory Section
2. Financial Section
  - a. Independent Auditor's Report
  - b. Management's Discussion and Analysis
  - c. Basic Financial Statements and Notes to the Basic Financial Statements
  - d. Required Supplementary Information
  - e. Combining Financial Statements and Schedules
3. Statistical Section

As the Financial Section comprises the majority of the report, each subsection is detailed below:

### *a.) Independent Auditor's Report*

The auditor's opinion for a financial statement is most typically an "Unmodified" or "clean" opinion. This implies two things - 1) the auditors were able to perform all the required tests of the accounts and, 2) the financial statements present fairly, in all material respects, the financial position of the City's opinion units. For FY2023/24, **all of the City's funds received an Unmodified ("clean") opinion.**

### *b.) Management's Discussion and Analysis*

This section provides a narrative overview and analysis of the basic financial statements and its components. Management's Discussion and Analysis also discusses financial highlights for the year ended June 30, 2024 for all major funds, General Fund budgetary highlights, and summarized information on capital assets and long-term debt.

### *c.) Basic Financial Statements*

Within the Basic Financial Statement, there are three sections:

#### *i. Government-wide Financial Statements*

a. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements present information about (1) the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and (2) activities that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, culture and recreation, community

development, and community services. The business-type activities of the City predominantly relate to the activity of the Water department.

## ii. Fund Financial Statements

a. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

b. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

c. The City maintains various enterprise funds to report the business-type activities of the Water Fund, Sewer Fund, Sewer Collection Fund, and Integrated Waste Fund. The City also maintains various internal service funds, which are an accounting device used to accumulate and allocate costs internally among the City's various functions.

d. Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the City's programs.

## iii. Notes to the Basic Financial Statements

a. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

d.) *Required Supplementary Information (RSI)*. This section contains budgetary information for the General Fund and other major governmental funds, schedules related to changes in the City's net pension liability and OPEB liability, and schedules of pension and OPEB contributions.

e.) *Combining Financial Statements and Schedules*. This section contains combining schedules for the Non-Major Governmental Funds and Internal Service Funds, as well as budget to actual comparisons for all other governmental funds with an adopted budget for FY 2023/24.

In addition to the Annual Comprehensive Financial Report (ACFR), the independent

auditor issues other related documents, which are summarized below:

- **Audit Overview Letter (Attachment 2)**

Discusses the auditor's responsibilities under *Government Auditing Standards* and any significant issues encountered during the audit that warrant disclosure.

Although the auditors identified significant risks: *management's override of internal controls over financial reporting*, and *revenue recognition*, these risks are presumptive in most audits. The auditors also noted no matters of management override of controls or deviations from generally accepted accounting principles.

None of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

- **Internal Control & Compliance Report (Attachment 3)**

The Internal Control & Compliance Report identifies any material internal control deficiencies that impact the financial statements. The auditors did not identify any deficiencies in internal control that were considered to be material weaknesses.

The results of the tests performed on Compliance and Other Matters by the City auditors resulted in an instance of noncompliance that is required to be reported under Government Auditing Standards.

2024-001 – Credit Card Transaction Approvals is part of the Internal Control and Compliance Report that lists the cause, effect and City management's response and corrective action to be taken.

### Fiscal Year 2023/24 PAFR

As explained above, the PAFR provides an overview of the City's financial position, the results of select funds, significant assets, and outstanding debt structure in a manner that is easy to understand. The PAFR is prepared primarily from detailed information contained in the City's audited ACFR and discusses the following areas: Overview of the City and Government, About San Bernardino, Financial Highlights, the City's Financial Position, Assets, and Debt.

### **2021-2025 Strategic Targets and Goals**

Receive and file the City's Annual Comprehensive Financial Report (ACFR) for the Year Ended June 30, 2024 aligns with Key Target No. 1: Improved Financial and Operational Capacity. Financial.

**Fiscal Impact**

There is no fiscal impact associated with the receiving and filing the City's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2024.

**Conclusion**

It is recommended that the Mayor and City Council of the City of San Bernardino, California, receive and file the City's Annual Comprehensive Financial Report (ACFR) and Popular Annual Financial Report (PAFR) for the Year Ended June 30, 2024.

**Attachments**

Attachment 1 – City of San Bernardino Annual Comprehensive Financial Report (ACFR) for the Year Ended, June 30, 2024

Attachment 2 – Audit Overview Letter

Attachment 3 – Internal Control and Compliance Report

Attachment 4 - Popular Annual Financial Report (PAFR) for the Year Ended, June 30, 2024

**Ward:**

All Wards

**Synopsis of Previous Council Actions:**

N/A