



## **CITY OF MENIFEE**

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SUBJECT: Annual Comprehensive Financial Report for Fiscal Year End June 30, 2024

MEETING DATE: February 5, 2025

TO: Mayor and City Council

PREPARED BY: Margarita Cornejo, Deputy Finance Director

REVIEWED BY: Travis Hickey, Chief Financial Officer

APPROVED BY: Armando G. Villa, City Manager

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### **RECOMMENDED ACTION**

1. Receive and file the Annual Comprehensive Financial Report (ACFR) and other audit reports for the fiscal year end June 30, 2024.

### **DISCUSSION**

Following the completion and receipt of the City's annual financial audit, the Finance Department will present to the City Council the City's annual financial statements and financial audit. The statements are referred to, collectively, as an Annual Comprehensive Financial Report ("ACFR"). The format and content requirements for ACFRs are set forth in guidelines developed by the Government Finance Officers Associations of the United States and Canada and the California Society of Municipal Finance Officers.

The ACFR is divided into three major sections: the introductory section, the financial section, and the statistical section. The introductory section includes the letter of transmittal, a directory of City officials in office as of the report date, and an organization chart. The financial section includes the independent auditors' report, management's discussion and analysis, and the financial statements, including notes to the financial statements. The statistical section includes financial trend information and demographic information about the City.

The financial statements were audited by the independent public accounting firm of Rogers, Anderson, Malody & Scott, LLP Certified Public Accountants, whose unmodified opinion is included within the financial section of the report. An unmodified opinion indicates that the financial statements present fairly the financial position of the City of Menifee as of June 30, 2024, and that the results of operations are in accordance with generally accepted accounting principles.

As part of the audit, the audit firm also reviewed and performed tests of the City's internal accounting control procedures to determine if there are any material weaknesses or instances of non-compliance. Based on the audit, no material weaknesses were noted. Two other reports are also included in the packet that support these findings: 1) the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards; and 2) the communication with those charged with governance (also referred to as the SAS-114 letter).

***Financial Condition of the City on June 30, 2024:***

The City closed the Fiscal Year 2023/24 period in a financially sound position, with a net position of \$573 million (compared to \$488 million in June 30, 2023). The largest portion of the City's net position, \$366.4 million or 63.9 percent, reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress) as the City continues to develop.

The General Fund (represented by the main General Fund, Quality of Life Fund, Internal Service Funds (ISFs), and Trust Fund) closed the year in a positive position, due to strong revenues and diligent management of the budget. In total General Fund revenues, net of transfers and SBITA (Subscription-Based Information Technology Arrangement)/Lease Acquisition, were \$11 million higher than the adjusted budget primarily due to the combined impact of: one-time revenue sales tax and Quality of Life revenues receipts, increased property taxes, VLF, and franchise fee revenue.

Sales tax revenue actuals, including the fourth year of collections of the City's Quality of Life (Measure DD) 1% sales tax, were approximately \$7.2 million more than the adjusted budget, principally driven by one-time sales tax revenues of \$8 million, including Quality of Life, associated with the construction of the Nova Park Battery Storage site. Regular sales tax and Quality of Life revenues, excluding the Nova Park associated sales tax revenues, were approximately \$828,000 less than adjusted budget, throughout the fiscal year, signaling slowing retail activity, reflecting overall national retail trends and economic conditions.

Operational savings represented by fire contract savings of \$2.9 million, and dispatch contracts savings of \$221,000 and other operational savings of \$3.9 million also contributed to financially sound year end and a positive increase in the General Fund balance.

The City's net position, though positive, and excluding one-time revenues and operational savings, reflects some leveling of growth in several of its key revenues. As the City completes the current fiscal year and moves to its next biennial budget cycle, staff will continue to closely monitor any significant deviations from the projected budget. The City's financial stability is attributable to the deliberate and concentrated efforts of the City Council to managing the City's operations in a fiscally conservative approach.

The City's ACFR for the fiscal year end June 30, 2024 is attached to this staff report and is also available for review in the City Clerk's Office and Finance Department. In addition, the ACFR will be distributed to the City Council, various federal and state government agencies, rating agencies and financial institutions, and will be made available on the City's website for interested citizens.

**STRATEGIC PLAN OBJECTIVE**

Regular City Business

**FISCAL IMPACT**

There is no fiscal impact associated with the recommended action.

**ATTACHMENTS**

1. 2024 ACFR
2. Independent Accountants Report
3. Report on Internal Controls
4. SAS-114 Letter