



City Council Meeting Staff Report

Meeting Date: January 13, 2026

Subject: Fiscal Year 2025 Audited Financial Report

Prepared By: Susan Mahoney, Finance Director

Recommendation: Staff recommends the City Council receive and file the audited Annual Financial Report for the fiscal year ending June 30, 2025.

Discussion: Each year, an audit of the City's financial statements is conducted by an independent auditor, and the results are presented to the City Council. The audit for the fiscal year ended June 30, 2025, was conducted by Chavan and Associates LLP, CPAs. This is the second year this firm has audited the City.

The scope of the annual audit includes:

- An opinion from the auditor that the preparation of the financial statements by City staff fairly presents the financial position of the City. The opinion of the auditor is as follows:
"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information."
- A separate audit called a Single Audit is required when the City receives over \$750,000 in federal funds. The Federal Single Audit Act requires our auditors to test specific elements of compliance. In fiscal year 2025, the City received \$3.5 million in federal funds to construct the Wheatland Senior Apartments. The Single Audit will be presented to Council in February 2026.
- The auditor's letter to the City Council and City Management (Attachment 2) comments on the City's system of internal controls and provides recommendations for improvements. The auditor did not identify any deficiencies in internal control over financial reporting that would be considered a material weakness.

The Annual Financial Report for the Fiscal Year Ended June 30, 2025 (Attachment 1) includes a Management Discussion and Analysis (pages 15 through 24) which provides an overview of the City's financial activity.

The following are key highlights in the financial report:

- On June 30, 2025, the net position of **the City** (assets less liabilities) was \$24.7 million. This amount includes \$5.3 million in capital assets, \$13.7 million cash restricted for specific purposes, and \$5.7 million unrestricted cash.
- **The General Fund** had a positive change in net position (revenues minus expenses) of \$332,690 mainly due to expense savings in all departments except for legal fees.
- **The Water Fund** change in net position was \$330,113.

- **The Sewer Fund** change in net position was \$255,916.
- The City received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its fiscal year 2024 financial report. This was the sixth year in a row that the City received the award. The fiscal year 2025 financial report has been submitted to GFOA, and the City is hopeful that it will earn the award for a seventh consecutive year.

Fiscal Impact: There is no fiscal impact associated with this item.

Attachment:

1. Annual Financial Report for the fiscal year ended June 30, 2025
2. Auditor's letter to the City Council and City Management