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**SUBJECT:** Independent Auditors' Reports and Annual Comprehensive Financial Report for Fiscal Year 2024/25; and Report on the Financial Awards received by the City

**DEPARTMENT:** Finance and Information Systems

**STAFF:** Kerry Breen, Director of Finance and Information Systems  
Sonia Agostini, Accounting Manager

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### **TITLE/RECOMMENDATION**

Staff recommends the City Council receive the Independent Auditors' Reports and Annual Comprehensive Financial Report (ACFR) for Fiscal Year 2024/25, along with the report on Financial Awards received by the City.

### **FISCAL IMPACT**

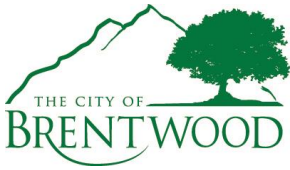
There is no fiscal impact associated with the receipt of the Independent Auditor's Reports or the ACFR.

Recognition of the City's adherence to the highest standards of governmental reporting continues to reinforce public trust, strengthen transparency, and support the City's ability to secure favorable financing in the credit markets. These efforts have historically produced measurable benefits; for example, refundings of certain bonds have enabled the City to obtain lower interest rates and achieve substantial savings, which have then been used to fund new facilities. This would not have been possible without the City's established reputation for strong, reliable, and transparent financial management and reporting.

### **BACKGROUND**

The ACFR provides a comprehensive presentation of the City's financial position for the fiscal year ending June 30, 2025. Key financial information is summarized in the Management's Discussion and Analysis (MD&A), beginning on page 20 of the report.

At year-end, the General Fund reported a fund balance of \$29.4 million, consistent with the prior fiscal year. Of this amount, \$5.0 million is designated for specific purposes, such as future capital projects, costs associated with the Police Department



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fifth geographical beat, and the Successor Agency repayment plan. The remaining \$24.4 million represents the 30% General Fund reserve required under the City's Council/Administrative Policy, No. 10-5, Budget and Fiscal Policies ("Policy").

General Fund revenues exceeded expenditures and reserve requirements by \$1.3 million for the year. Included in this amount is \$1.1 million in one-time investment fair value gains. In accordance with Policy, 50% of the annual surplus is used to reduce unfunded pension or retiree medical obligations and 50% is transferred to the Pension/Other-Post Employment Benefit Obligation Fund ("Budget Stabilization Fund"). Accordingly, \$656,515 will be used for a pension payment, with an equal amount transferred to the Budget Stabilization Fund to be used to offset future increases in pension and retiree medical costs in the intermediate-term.

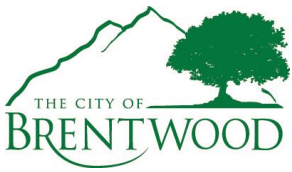
Recognizing that the ACFR is a complex financial document and to provide timely, concise and accessible year-end information, the Finance Department published the Fiscal Year [2024/25 Financial Snapshot](#) ("Snapshot") in October 2025. The Snapshot summarizes the City's year-end results in an easy to understand format, highlighting major trends, key metrics, and an overview of the economic environment.

The Finance Department also publishes several recurring financial reports and updates, including the quarterly Financial Dashboard, Sales Tax and Investment reports, along with the annual Budget-in-Brief, Development Impact Fee Report and Combined Community Facilities District Annual Report. All reports and updates are available on the City's website under [Financial Documents](#).

Additionally, the City Council receives comprehensive budget updates every six months through the Mid-Year and Mid-Term Budget review processes. The next update will be presented on January 27, 2026, as part of the Mid-Year 2025/26 Budget review.

**Audit and ACFR**

The City's independent audit firm, Maze & Associates, has completed its review and examination of the City's financial statements for the year ended June 30, 2025 and will present the results of their audit during this agenda item. The audit was conducted in accordance with generally accepted auditing standards. The auditors issued an unmodified opinion, concluding that the financial statements fairly represent the financial position of the City and conform with generally accepted accounting principles. The Independent Auditor's Report begins on page 17 of the ACFR.



For any year the City receives funding from the Transportation Development Act (TDA) program, a separate audit is required by the State Controller's Office. Maze & Associates also prepared this audit report, which is included as an attachment.

Each fiscal year, the City is required to undergo an audit and the Finance Department consolidates all financial activity into the ACFR to provide citizens, grantor agencies, and other stakeholders with reliable financial information. The Finance Department coordinated the audit process, completed the year-end close, and the prepared the ACFR.

The ACFR consists of three primary components:

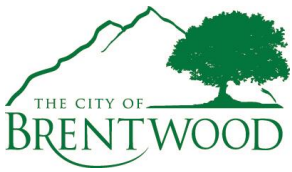
- **Introductory Section** - Includes the Letter of Transmittal, which provides an analysis of the City's economic condition, financial outlook, and information on long-term financial planning.
- **Financial Section** - Contains the City's primary financial statements.
- **Statistical Section** - Provides current and historical trend information.

### **System of Internal Controls**

Internal controls are the policies, procedures and practices designed by management to safeguard assets, manage resources and ensure reliable financial reporting. These controls reflect management's "tone from the top", establish organizational discipline and structure, and facilitate effective communication throughout the City organization.

In the context of the annual audit, internal controls serve as the system of checks and balances designed to reduce the risk of errors in the accounting records and deter fraud, embezzlement, and misuse of resources. These goals are generally accomplished by incorporating control activities into the organization's operations. Common control activities include approvals, verifications, reconciliations, supervisory reviews, and segregation of duties.

Responsibility for establishing and maintaining the system of internal controls rests with the City - not with the external auditors, Maze & Associates.



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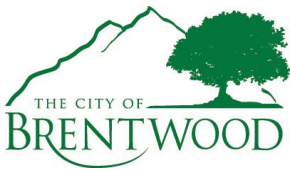
When designing a system of internal controls, it is important to balance the reduction in risk from a control activity with its cost and operational impact. A larger number of control activities may not always be better; both the law of diminishing returns and resource limitations significantly affect the decision of which activities to employ in each situation. Excessive controls can create inefficiencies, while insufficient controls can expose the organization to unnecessary risk.

In addition to expressing an opinion on the financial statements, each year the auditors evaluate the City's internal control environment. The independent auditors may note certain matters involving internal control and other operational concerns. These items represent recommendations for improvement, rather than audit "findings". In addition, the auditors are required to communicate specific information to the legislative body. This information is included in the Memorandum on Internal Control and the Required Communications, both attached to this report. The Auditors will also verbally present this information to the City Council as a part of this agenda item.

**Financial Awards**

The Finance Department is committed to producing financial documents that meet the highest standards of governmental budgeting and accounting excellence. External recognition affirms these efforts and is indicative of the high standards expected by the City Council. These awards reinforce the validity and integrity of the City's financial reporting and strengthen confidence among residents, elected officials, staff, and outside agencies.

Since Fiscal Year 2000/01, the City has received the Certificate of Achievement for Excellence in Financial Reporting for the ACFR from the Government Finance Officers Association (GFOA). The GFOA award is a prestigious national award recognizing the use of high standards in preparing state and local government financial reports. Participation in the award program has several benefits. An award-winning ACFR shows dedication to fiscal responsibility and outstanding financial management and reporting. In addition, producing an ACFR confirms that the City operates at the highest level of financial reporting standards, which contributes to strong bond ratings and competitive interest rates in the credit markets. The ACFR is prepared in-house by the Finance Department, demonstrating staff's high level of technical skill and professional dedication.



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Following are the awards that were received during the past year:

- **Excellence in Capital Budgeting** from the California Society of Municipal Finance Officers (CSMFO) for the FY 2024/25 Capital Improvement Program. This state award was established by CSMFO to recognize those agencies whose capital improvement program documents meet certain state-wide standards and requirements considered to be of the highest quality.
- **Excellence in Financial Reporting** from the GFOA for the Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2024. This national award was established by GFOA to recognize individual governments that prepare annual financial reports exemplifying the spirit of transparency and full disclosure. The City's ACFR was reviewed by selected members of the GFOA professional staff and the GFOA Special Review Committee, which includes individuals with expertise in public-sector financial reporting and financial statement preparers, independent auditors, academics, and other financial professionals.
- **Excellence in Operating Budgeting** from CSMFO for the 2024/25 – 2025/26 Operating Budget. This state award was established by CSMFO to recognize those agencies whose operating budget documents meet certain state-wide standards and requirements considered to be of the highest quality.

**CITY COUNCIL STRATEGIC INITIATIVE**

Not Applicable

**PREVIOUS ACTION**

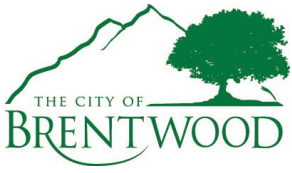
Previous Action by the City Council is included on Attachment 1.

**DATE OF NOTICE**

Not Applicable

**ENVIRONMENTAL DETERMINATION**

Not Applicable



**ALTERNATIVE OPTION(S)**

Not Applicable

**ATTACHMENT(S)**

1. Previous Action
2. 2024/25 ACFR
3. Memorandum on Internal Control
4. Required Communications
5. Independent Auditor's Report - TDA
6. CSMFO Capital Budget Award
7. GFOA ACFR Award Certificate
8. CSMFO 2024/25 – 2025/26 Operating Budget Award