



TITLE

Annual Comprehensive Financial Report and Year-end Financial Results

RECOMMENDATION

Receive the draft Annual Comprehensive Financial Report and related communications from the City's external auditor for Fiscal Year 2024-25.

CONTACT

Jemelyn Cruz, Finance Director

BACKGROUND & ANALYSIS

After the conclusion of each fiscal year, an independent auditor (currently Chavan and Associates, LLP) reviews the reporting of the City's financial statements in accordance with industry accounting standards. The result is an "Annual Comprehensive Financial Report (ACFR)".

The City's Fiscal Year 2024-25 ACFR will be finalized on February 28, 2026 (Draft in Attachment 1). It includes financial statements for the City of American Canyon and the American Canyon Fire Protection District. It also contains the independent auditor's report, which describes the scope of the audit as well as the auditor's opinion on the financial statements. For the Fiscal Year 2024-25 ACFR, the City received an "unmodified" opinion. An "unmodified" opinion is only issued when there are no significant reporting issues, the financial statements are free of material misstatements, and information is presented in accordance with Generally Accepted Accounting Principles (GAAP). This opinion indicates that the City's financial condition, position, and operations are fairly presented in the financial statements. This is important to financial statement users and provides comfort to the City's creditors, while enabling the City to obtain better interest rates on any new debt issuances.

City management assumes full responsibility for the completeness and reliability of all of the information presented in the ACFR. The City has established a comprehensive internal control framework designed to protect the City's assets from loss, theft, or misuse and provide sufficient reliable information that the City of American Canyon's financial statements are in conformity with GAAP. The cost of internal controls should not outweigh the resulting benefits, and internal controls are designed to provide reasonable assurance, not absolute assurance, that the financial statements will be free from material misstatements. City management asserts that, to the best of our knowledge and belief, the financial report is complete and reliable in all material respects.

The Fiscal Year 2024-25 ACFR includes an introductory section that profiles the City, discusses the local economy, recounts key projects, and details financial planning issues and future challenges, as well as other vital topics. Included in the report is the Certificate of Achievement for Excellence in Financial Reporting presented to the City by the Government Finance Officers Association for its prior year (Fiscal Year 2023-24). Staff will submit the Fiscal Year 2024-25 ACFR for the same award and expects to receive it in time for presentation in next year's ACFR.

The ACFR also includes a "Management Discussion and Analysis" section, which provides financial highlights, an overview of the financial statements, and compares key financial data to the prior year. The conclusion of the report details a variety of supplemental financial data, debt and demographical statistics. Also included are four related communications: "Management Letter", "Governance Letter", "Appropriation Limit Testing for the City", and "Appropriation Limit Testing for the Fire District". In these letters, the auditors identified no material deficiencies in internal controls. The "Management Letter" noted matters for consideration that staff will be working on implementing in the next ACFR.

Year-end Financial Reporting

The results of the FY 2024-25 operations showed General Fund revenues missed budgeted revenues by \$2.3 million, however expenditures came under budget by \$2.8 million. The large variances in budgeted revenues to actuals were in the areas of property tax (\$0.9 million), charges for services (\$0.5 million) mainly due to developer billing activity, other taxes (\$0.4 million) which is mostly comprised of TOT, license and permits (\$0.4 million).

General Fund expenditures were less than anticipated by (\$2.8 million). The major categories with budgetary savings were salaries and benefits (\$0.5 million) resulting from continued vacancies, supplies and services (\$1.3 million), and other services (\$0.2 million), and capital outlay (\$0.4 million). Many of the savings in associated with services offset the decreases in revenues, as less revenue collected for permits result in less contract work expense for plan check, building permits, and developer billings. Overall, after transfers in and transfers out, the General Fund ended with a deficit of \$120,765.

Other major funds are the City's Enterprise Funds, water, wastewater and recycled water funds. After transfers in and out the water enterprise funds had a decrease in net position of \$1.7 million, the wastewater enterprise funds had a decrease in net position of \$0.5 million and the recycled water enterprise had a decrease of \$0.7 million. Detailed information on all the City's funds can be found in attachment 1 - City of American Canyon draft 2025 ACFR. Staff anticipates a final ACFR to be published on the City's website by February 28, 2026.

COUNCIL PRIORITY PROGRAMS AND PROJECTS

Organizational Effectiveness: "Deliver exemplary government services."

FISCAL IMPACT

The cost of the audit was consistent with the approved contract amount, and the recommended action will have no impact on the City's Fiscal Year 2025-26 Budget. A full discussion of the City's financial status starts on Page 4 of the Fiscal Year 2024-25 ACFR.

Implied in all City Council Goals, Objectives, and Work Programs is the fundamental principle that the City will follow the City Council's adopted Fiscal Policy and will exercise the utmost financial discipline and accountability. In accordance with the City's adopted Fiscal Policy and pursuant to Section 37208 of the Government Code, the City Manager is responsible for preparing an audited Annual Comprehensive Financial Report each year.

ENVIRONMENTAL REVIEW

Not applicable.

ATTACHMENTS:

- [1. City of American Canyon Draft Annual Comprehensive Financial Report FY 2024-25](#)
- [2. City of American Canyon Management Letter FY 2024-25](#)
- [3. City of American Canyon Governance Letter FY 2024-25](#)
- [4. City of American Canyon Appropriations Limit Report FY 2024-25](#)
- [5. American Canyon Fire Protection District Appropriations Limit Report FY 2024-25](#)