CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT
REVISED MEMORANDUM

DATE: April 8, 2026

TO: Mayor and City Council Members
Ashley J. Feeney, City Manager

FROM: Susan K. Talwar, Administrative Services Director
Dena Jenkins, Finance Manager

SUBJECT: **Annual Comprehensive Financial Report, Single Audit Report, and Audited Financial Statements and Compliance Report for Transportation Development Act Funds**

Recommendation

Staff recommends the City Council receive and file the City of Citrus Heights Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025, the City of Citrus Heights Popular Annual Financial Report for the Fiscal Year Ended June 30, 2025, the Audit Communication Letter, the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters, the Single Audit Report for the fiscal year ended June 30, 2025, and the City of Citrus Heights Transportation Development Act (TDA) Funds Audited Financial Statements and Compliance Report for the fiscal year ended June 30, 2025.

Strategic Plan Alignment

This item is in alignment with the following City Council priority:

Goal: Maintain and Enhance Fiscal Stability while supporting operational excellence.

Fiscal Impact

There is no fiscal impact associated with this action.

Background and Analysis

Annual Comprehensive Financial Report (ACFR)

Financial Report

In accordance with the provisions of California Government Code Sections 37208, 53891, and Section 2-355 of the Citrus Heights Municipal Code, the City prepares and publishes annual audited financial statements. The accounting firm Lance, Soll & Lunghard, LLP (LSL) performed the annual audit of the City's general purpose financial statements for the fiscal year ended June 30, 2025. The auditor has opined that the City's financial statements present fairly, in all material respects, the respective financial position of the City of Citrus Heights. The statements are in conformity with Generally Accepted Accounting Principles.

Some highlights from this year's ACFR include:

- An increase in Property Tax of $267,000;
- A decrease in Sales Tax Revenue of $71,000;
- An increase in State Vehicle In-Lieu tax of $831,000;
- Higher than expected revenues in investment revenue and vehicle fines;
- Savings in the General Fund of approximately $1.5 million due primarily to salary savings and lower than anticipated operating expenses;
- An increase in the General Fund balance of approximately $5.8 million.

Popular Annual Financial Report

The City has also completed its fourth Popular Annual Financial Report (PAFR), a report intended to provide the City's citizens with an easy-to-read explanation of its finances. The information in the PAFR is derived from the City's ACFR.

The Annual Comprehensive Financial Report and the Popular Annual Financial Report for the fiscal year ended June 30, 2025 are posted on the City's website at: http://citrusheights.net/213/Financial-Reporting-Budget-CIP.

The City received awards from the Governmental Finance Officers Association (GFOA) for both its 2024 ACFR and its 2024 PAFR, and the 2025 reports have been submitted for consideration of the awards.

Communications from LSL

The City's audit firm, LSL is required by auditing standards to provide communication to the Council in the form of an Auditor Communication Letter and an Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters.

The purpose of the Auditor Communication Letter is to communicate significant audit matters (if any) to the City Council. No significant audit matters were identified as a result of the audit procedures.

The purpose of the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters is to communicate any deficiencies in internal control or

instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements. LSL reports that they did not identify any deficiencies in internal control or instances of noncompliance.

Single Audit Report

A single audit is required by Title 2 of the U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) when federal expenditures during a fiscal year exceed $750,000. For the fiscal year ended June 30, 2025, the City made federal expenditures of $17.7 million. The City's audit firm, LSL, performed the single audit. The single audit report also includes the report on Internal Control over Financial Reporting and Compliance and Other Matters. LSL issued a clean audit opinion regarding compliance and internal control over compliance for the City's major federal programs and Schedule of Expenditures of Federal Awards (SEFA).

The Single Audit Report for the fiscal year ended June 30, 2025 is posted on the City's website at: http://citrusheights.net/213/Financial-Reporting-Budget-CIP.

Transportation Development Act Audit

The accounting firm of Richardson & Company, LLP was hired by the Sacramento Area Council of Governments to audit the transportation funds received by member agencies for the fiscal year ended June 30, 2025. They have determined that the City of Citrus Heights Transportation Fund financial statements present fairly, in all material respects, the financial position of the Transportation Development Act Funds of the City of Citrus Heights as of June 30, 2025. The statements are in conformity with Generally Accepted Accounting Principles.

Attachments

1. City of Citrus Heights Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.
2. City of Citrus Heights Popular Annual Financial Report for the Fiscal Year Ended June 30, 2025.
3. Auditor Communication Letter.
4. Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters.
5. City of Citrus Heights Single Audit Report for the year ended June 30, 2025.
6. City of Citrus Heights Transportation Development Act Funds – Audited Financial Statements and Compliance Report as of June 30, 2025.