

MEMORANDUM

TO: Claire Powell, City Manager

FROM: David O. Erb, Director of Finance

DATE: April 6, 2026

SUBJECT: **Acceptance of the Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR).**

BACKGROUND

The independent annual audit of the City's financial statements has been completed. The 2025 Annual Comprehensive Financial Report (ACFR) is provided in compliance with the City Council's Finance Policy Statement 3.0 Section I. This report includes the auditor's opinion on the City's financial statements. Additionally, we are providing the Single Audit Reports on Federal Financial Assistance (SEFA) and State Financial Assistance (SESA), which document the City's expenditure of federal and state grant funds during the fiscal year. The Popular Annual Financial Report (PAFR) accompanies the ACFR, offering a summarized, easily understandable overview of the City's financial condition.

The City's external auditors, Weaver, LLP, delivered a brief presentation during the April 6, 2026 workshop session. This presentation is part of their required communications under generally accepted auditing standards.

The auditor's opinion statement, located at the beginning of the Financial Section of the ACFR, states that in their opinion the financial statements present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2025, in conformity with accounting principles generally accepted in the United States of America. This opinion represents an unqualified (clean) opinion, indicating the auditor found no material issues with the City's financial reporting.

This audit report serves a broad audience beyond city management, including regulators, investors, and other interested stakeholders. As a general-purpose external financial report, it is designed for those without direct access to the City's financial information. Financial reporting for state and local governments is governed by GAAP, as established by the Governmental Accounting Standards Board (GASB).

The report presents various financial details in different formats to reflect the full scope of the City's activities over the past fiscal year:

- Government-wide statements assess the City's overall operational accountability.
- Fund accounting segregates resources for specific purposes in compliance with regulations and restrictions.
- Budgetary comparisons ensure fiscal accountability and transparency.

ANALYSIS

Financial highlights of the ACFR include:

- The assets and deferred outflows of resources of the City of Lewisville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ending September 30, 2025, by \$1,112,105,185 (net position). Of this amount, \$125,855,114 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Lewisville's total net position increased by \$87,355,847 for the year ended September 30, 2025, which was due to an increase in governmental activities net position of \$60,796,767 and an increase in business-type activities net position of \$26,559,080.
- As of September 30, 2025, the City of Lewisville's governmental funds reported combined ending fund balances of \$190,964,710, a decrease of \$42,106,854 in comparison with the prior fiscal year. The decrease is due to the spenddown of bond proceeds set aside for capital projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$45,042,637 or approximately 36.2 percent of total general fund expenditures.
- The City's total outstanding debt increased by \$13,439,000 during the current fiscal year due to issuance of debt for funding future capital projects.

Please refer to the Management's Discussion and Analysis, Transmittal Letter, and accompanying financial statements found in the full ACFR for more details on the City's financial condition.

CITY STAFF'S RECOMMENDATION

That City Council accept the report as set forth in the caption above.