



# Presentation of the Annual Financial Audit for the Fiscal Year Ended June 30, 2025

April 13, 2026

# Management's Responsibilities

- The preparation and fair presentation of the financial statements in accordance with US GAAP
- Design and implementation of internal controls
- Evaluate if there are any conditions which indicate doubt of continued financial viability
- Complying with the requirements of federal award programs

# Council's Responsibility

- Exercising oversight of the City's finances
- Setting the "tone at the top" for accountability, transparency, and fiduciary responsibility over the public treasury

# Auditors' Responsibilities

- Conduct the audit in accordance with:
  - Generally accepted auditing standards
  - Government Auditing Standards
  - Uniform Guidance
- Exercise professional judgment, and professional skepticism
- Conduct a risk-based approach to the audit
- Understand the entity's internal control structure
- Evaluate significant accounting estimates for reasonableness
- Evaluate if there are any conditions which indicate doubt of continued financial viability

# Audit Process

- **Timing**
  - Interim: June 2025
  - Year-end: September 2025 – March 2026
- **Scope**
  - Over 900 audit hours
  - City ACFR
  - Municipal Bus Line F/S
  - OPEB Trust Fund F/S
  - Major federal award programs
- **Risk Based Audit Approach**
  - Materiality
  - Basic v. extended audit procedures
  - Statistical sampling
- **Audit Procedures**
  - Internal control procedures
  - Analytical procedures
    - Review of estimates
    - Trend analysis
    - Budget to actual comparisons
  - Substantive procedures
    - Confirmations
    - Inspection of assets or of underlying documentation
    - Inquiry with management
  - Compliance procedures
- **Fraud Response Procedures**
  - Inspection of manual journal entries
  - Extensive revenue/receivables testing
  - Confidential discussions with City employees

# Audit Results

- **Unmodified** auditors' opinion
- Report on Internal Controls and Compliance
  - No material weaknesses identified
  - One significant deficiency identified
  - No material noncompliance identified
- Change in accounting policies for GASB 101, *Compensated Absences*
  - \$2.3M restatement (reduction) of beginning net position
- Estimates are reasonable
  - Pension and OPEB liabilities
- No disagreements with management
- No fraud, waste, or abuse identified

# Audit Finding 2025-001

- Significant Deficiency in Internal Controls
- Related to the Financial Close and Reporting Process
  - Current process of closing the books is not effective at ensuring the completeness and accuracy of the financial records at the close of the fiscal year.
  - City provided over 50 adjustments to the initial trial balance provided for audit.
  - Repeat of prior year finding.
- Current Status: All necessary corrections identified during the audit have been made, and management has provided a detailed corrective action plan outlining steps to be taken and completed by December 31, 2026, to remedy the finding.
- Auditor's Response: We will follow up with the City during the 2026 fiscal year audit to review progress on the corrective actions.

# Prior Year Audit Finding 2024-001

- Significant Deficiency in Internal Controls and Material Noncompliance with Federal requirements
- Related to Timeliness of Financial Reporting
  - The Federally mandated filing deadline for audits subject to Single Audit requirements is March 31 each year.
  - The City did not file their audits with the federal government last year until May 2, 2025.
  - Cause of finding was ineffective financial closing procedures.
- Current Status: Although the City filed their audits on time this year, the root causes of last year's late submission were not sufficiently addressed and continued into FY25, resulting in Finding 2025-001 in the current year.

# Auditor's Recommendations

We recommend that the City Council, in its role as the oversight body for the City's financial statements, consider authorizing the City Manager to take one or more of the following actions to remediate the significant deficiency in internal controls and ensure timely and accurate financial reporting at the close of the fiscal year:

1. Engage LSL's separate Consulting & Advisory Department (or another qualified CPA) to assist the City in developing an enhanced process of closing the books at the end of the year.
2. In light of the LA Metro's own recently released audit report, engage LSL (or another qualified CPA) to perform additional procedures to be agreed-upon with the City Manager's office to conduct a deeper compliance and attestation engagement over the City's Transit Fund for Fiscal Year 2025.
3. Authorize the City Manager to approve an expanded scope audit over the City's annual financial statements for the upcoming 2026 audit year. This will reduce our materiality levels, increasing the number of transactions and accounts we test, providing greater assurance than a standard annual audit.

# Questions?

# Contact Us



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