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

January 20, 2025

Your LSL Management Team

Christian Townes, CPA
Partner

Calvin Kunkel, CPA
Manager

Heather Flores, CPA
Manager/In-Charge

Ryan Domino, CPA
Concurring Review

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

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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

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Introductory Section

- Provides a letter from management highlighting key financial information
- Includes an overview of the organization's structure
- Summarizes major achievements and challenges during the fiscal year
- Presents a message on the financial health and outlook
- Sets context for detailed financial statements and audit results

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Financial Section

- Presents detailed financial statements including balance sheet and income statement
- Includes notes explaining accounting policies and significant financial details
- Shows changes in financial position through cash flow statements
- Provides management's analysis of financial performance and condition
- Presents detailed information on required supplementary information:
  - Budgetary comparison schedules for the general fund and any major special revenue funds
  - Pension schedules
  - OPEB schedules
- Presents other supplementary information
  - Combining and individual nonmajor fund statements and schedules

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Statistical Section

- Provides additional context and historical data to help users understand the financial statements.
- Content:
  - Financial Trends: Shows how the government's financial position has changed over time.
  - Revenue Capacity: Provides information on the government's ability to generate revenue.
  - Debt Capacity: Offers insights into the government's debt levels and ability to issue additional debt.
  - Demographic and Economic Information: Includes data on the population, employment, and economic conditions.
  - Bond Disclosure Section: Provides information to fulfill the City’s bond continuing disclosure requirements of material events, delinquencies, and other financial data.

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Audit Results – on Financials

- **Unmodified** auditors' opinion
- Report on Internal Controls and Compliance
  - No material weaknesses identified
  - Significant deficiency and related noncompliance identified
  - No material noncompliance identified
- Change in accounting policies for GASB 101, *Compensated Absences*
  - Restatements presented on the financial statements
- Estimates are reasonable
  - Pension and OPEB liabilities
- No difficulties encountered during the audit
- Corrected and uncorrected misstatements:
  - One immaterial correcting entry identified during search for unrecorded liabilities related to an expense improperly accrued in accounts payable as of June 30, 2025.
  - Two entries for uncorrected immaterial transactions relating to correction of RMRA and Gas Tax recognition between fiscal years ended June 30, 2024 and June 30, 2025.
- No disagreements with management
- No fraud, waste, or abuse identified
- Prior year finding is considered resolved

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LSL

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FISCAL YEAR 2024-2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT

JANUARY 20, 2026

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FINANCIAL AUDIT TIMELINE

Single Audit required for FY 2024-2025 due to Federal Awards received being over $750,000. Single Audit to commence week of December 15.

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GENERAL FUND RESULTS

Statement of Revenues, Expenditures, and Changes in Fund Balances – Page 33

Revenue over Expenditures:
$4,463,630

Transfers Out:
$15,415,471 to CIP Fund
$258,535 to Street Lighting
$266,114 to Fleet Fund

Decrease in Fund Balance:
($9,900,035)

	General
REVENUES	
Taxes	$ 75,339,632
Licenses and permits	4,421,097
Intergovernmental	747,194
Charges for services	15,547,009
Use of money and property	7,459,748
Fines and forfeitures	2,480,865
Contributions	-
Miscellaneous	1,282,371
Total revenues	**107,277,916**
EXPENDITURES	
Current:	
General governement	18,309,285
Public safety	54,368,997
Culture and recreation	9,962,626
Public works	11,921,311
Capital outlay	294,248
Debt service:	
Principal retirement	5,722,147
Interest and fiscal charges	2,234,072
Trustee fees and bond issuance cost	1,600
Total expenditures	**102,814,286**
Excess (deficiency) of revenues over (under) expenditures	**4,463,630**
OTHER FINANCING SOURCES (USES)	
Transfers in	230,407
Transfers out	(15,940,120)
Lease and subscriptions financing	1,346,048
Total other financing sources (uses)	**(14,363,665)**
Net change in fund balances	**(9,900,035)**

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GENERAL FUND BALANCE

Note 18 Fund Balance– Page 89

Unassigned Fund Balance

$23,617,324

Financial Policy:	19,548,282
Economic Uncertainty:	4,000,000
Total	$23,548,282

Adjusted Unassigned: 69,042

Subsequent bond issuance in August 2025 will increase the unassigned General Fund balance.

	General
Nonspendable	
Notes and loans receivable	$ 25,688
Inventories	11,366
Prepaid costs	1,031,544
Total nonspendable	1,068,598
Restricted	
Public safety	-
Recreation	-
Public works	-
Capital projects	-
Pension benefits	4,711,798
Debt service	1,059,081
Total restricted	5,770,879
Committed	
Capital Projects	-
Total committed	-
Assigned	
Assigned for City retirement plans	24,925
Total assigned	24,925
Unassigned	23,617,324
Total fund balances (deficits)	$ 30,481,726

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NONCURRENT LIABILITY

Statement of Net Position – Page 25

Noncurrent - $133,719,806

Comp. Absences (GASB 101)
$6,551,782

POBs Payable
$77,700,000

Bonds
$20,923,361

SBITAS/Leases
$9,351,633

Claims
$19,193,031

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 78,390,074	$ 43,446,491	$ 121,836,565
Receivables:			
Accounts	1,606,879	1,282,808	2,889,687
Taxes	5,399,783	-	5,399,783
Accrued interest	664,583	-	664,583
Due from other governments	1,465,663	-	1,465,663
Grants	2,005,446	-	2,005,446
Notes and loans	25,668	-	25,668
Leases	21,726,755	-	21,726,755
Restricted assets:			
Cash and investments	4,711,798	-	4,711,798
Cash with fiscal agent	1,264,316	100,628	1,364,944
Due from OPEB trust fund	381,988	-	381,988
Inventories	97,947	757,218	855,165
Prepaid costs	1,059,110	74,550	1,133,660
Capital assets (not being depreciated/amortized)	75,890,777	53,925,174	129,815,951
Capital assets (net of accumulated depreciation/amortization)	94,676,006	49,418,351	144,094,357
Total assets	**289,366,793**	**149,005,220**	**438,372,013**
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	209,220	-	209,220
Pension-related	20,263,369	634,897	20,898,266
OPEB-related	5,148,199	510,471	5,658,670
Total deferred outflows of resources	**25,620,788**	**1,145,368**	**26,766,156**
LIABILITIES			
Accounts payable	4,812,065	3,641,935	8,454,000
Accrued liabilities	2,366,875	354,002	2,720,877
Accrued payroll	1,141,345	141,900	1,283,245
Accrued interest	203,342	91,945	295,287
Deposits payable	3,705,273	159,503	3,864,776
Unearned revenue	2,007,492	-	2,007,492
Noncurrent liabilities:			
Due within one year: bonds, notes, leases, SBITA, claims, and compensated absences	20,509,413	965,730	21,475,143
Due in more than one year:			
Net pension liability	19,463,627	725,916	20,189,543
Net OPEB liability	2,787,253	276,372	3,063,625
Bonds, notes, leases, SBITA, claims, and compensated absences	106,515,468	5,729,195	112,244,663
Total liabilities	**163,512,153**	**12,086,498**	**175,598,651**
DEFERRED INFLOWS OF RESOURCES			
Pension-related	10,406,089	10,516	10,416,605
OPEB-related	5,016,551	497,417	5,513,968
Lease-related	21,290,299	-	21,290,299
Total deferred inflows of resources	**36,712,939**	**507,933**	**37,220,872**

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CALPERS

Statement of Net Position – Page 25

CalPERS Discount Rate: 6.8%

CalPERS Returns

FY 2022-2023: 5.8%

FY 2023-2024: 9.3%

Net Pension Liability
$20,189,543

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AUDIT RESULTS

- One Audit finding due to not recording prior year expenditures spent on COVID-related FEMA reimbursements.

- Restatements due to the implementation of GASB 101 – Compensated Absences.

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AUDIT RESULTS

Management Letter Recommendation:

- Discontinue practice of grouping income statement accounts with fund balance groupings.

Resulting Action:

- Mid-Year Budget Update will include non-budgetary transactions (e.g. depreciation) and interfund transfers within the appropriate revenue and expenditure categories to comply with best practices.

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CITY OF MANHATTAN BEACH

SUN

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SEA

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