

# FINANCIAL AUDIT FISCAL YEAR 2023-2024

FINANCE SUBCOMMITTEE – FEBRUARY 13, 2025



# FINANCIAL AUDIT TIMELINE



Single Audit not required for FY 2023-2024 due to Federal Awards received being under \$750,000.



# GENERAL FUND RESULTS

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Page 32

Revenue over Expenditures:  
(\$3,650,344)

Implemented GASB 87  
(Leased Assets) and GASB  
96 (Subscriptions)

Expenditures:  
\$9,406,018

Other Financing Sources:  
\$9,403,714

Increase in Fund Balance:  
\$1,695,909

|                                                                      | General              |
|----------------------------------------------------------------------|----------------------|
| <b>REVENUES</b>                                                      |                      |
| Taxes                                                                | \$ 70,957,916        |
| Licenses and permits                                                 | 4,340,758            |
| Intergovernmental                                                    | 742,757              |
| Charges for services                                                 | 13,424,323           |
| Use of money and property                                            | 7,146,781            |
| Fines and forfeitures                                                | 1,953,584            |
| Contributions                                                        | -                    |
| Miscellaneous                                                        | 1,202,262            |
| <b>Total revenues</b>                                                | <b>99,768,381</b>    |
| <b>EXPENDITURES</b>                                                  |                      |
| Current:                                                             |                      |
| General government                                                   | 18,145,903           |
| Public safety                                                        | 48,738,762           |
| Culture and recreation                                               | 9,371,097            |
| Public works                                                         | 10,126,724           |
| Capital outlay                                                       | 9,406,018            |
| Debt service:                                                        |                      |
| Principal retirement                                                 | 5,318,532            |
| Interest and fiscal charges                                          | 2,310,089            |
| Trustee fees and bond issuance cost                                  | 1,600                |
| <b>Total expenditures</b>                                            | <b>103,418,725</b>   |
| <b>Excess (deficiency) of revenues<br/>over (under) expenditures</b> | <b>(3,650,344)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                      |
| Transfers in                                                         | 775,434              |
| Transfers out                                                        | (4,832,895)          |
| Lease and subscriptions financing                                    | 9,403,714            |
| <b>Total other financing sources (uses)</b>                          | <b>5,346,253</b>     |
| <b>Net change in fund balances</b>                                   | <b>1,695,909</b>     |
| Fund balances (deficit)-beginning                                    | 38,685,852           |
| <b>Fund balances (deficit)-ending</b>                                | <b>\$ 40,381,761</b> |



# GENERAL FUND BALANCE

Note 18 – Page 89

## Unassigned Fund Balance

\$34,991,414

Net Carryover: \$1,465,097  
 Financial Policy: 18,565,193  
 Economic Uncertainty: 4,000,000  
 Total \$24,030,290

Adjusted Unassigned: \$10,961,124

|                                    | General              |
|------------------------------------|----------------------|
| Nonspendable                       |                      |
| Notes and loans receivable         | \$ 49,088            |
| Leases receivable                  | 541,859              |
| Inventories                        | 2,099                |
| Prepaid costs                      | 56,494               |
| Total nonspendable                 | <u>649,540</u>       |
| Restricted                         |                      |
| Public safety                      | -                    |
| Recreation                         | -                    |
| Public works                       | -                    |
| Capital projects                   | -                    |
| Pension benefits                   | 3,599,985            |
| Debt service                       | 1,083,533            |
| Total restricted                   | <u>4,683,518</u>     |
| Committed                          |                      |
| Capital Projects                   | -                    |
| Total committed                    | <u>-</u>             |
| Assigned                           |                      |
| Assigned for City retirement plans | 57,289               |
| Total assigned                     | <u>57,289</u>        |
| Unassigned                         | <u>34,991,414</u>    |
| Total fund balances (deficits)     | <u>\$ 40,381,761</u> |



# WATER/SEWER FUND BALANCE

## Statement of Revenues, Expenses, and Changes in Net Position – Page 35

|                                                                 | Water                | Wastewater           |
|-----------------------------------------------------------------|----------------------|----------------------|
| <b>OPERATING REVENUES</b>                                       |                      |                      |
| Charges for services                                            | \$ 15,698,732        | \$ 3,602,056         |
| Interdepartmental charges for services                          | -                    | -                    |
| Miscellaneous                                                   | 71,645               | 17,508               |
| <b>Total operating revenues</b>                                 | <b>15,770,377</b>    | <b>3,619,564</b>     |
| <b>OPERATING EXPENSES</b>                                       |                      |                      |
| Salaries                                                        | 1,471,329            | 709,105              |
| Employee benefits                                               | 602,622              | 259,889              |
| Contract for professional services                              | 8,096,478            | 161,284              |
| Materials and services                                          | 883,114              | 218,182              |
| Utilities                                                       | 278,451              | 103,941              |
| Administrative service charges                                  | 1,590,814            | 823,645              |
| Internal services                                               | 651,555              | 182,670              |
| Leases and rents                                                | -                    | -                    |
| Claims                                                          | -                    | -                    |
| Depreciation/amortization                                       | 622,564              | 327,550              |
| <b>Total operating expenses</b>                                 | <b>14,196,927</b>    | <b>2,786,266</b>     |
| <b>Operating income (loss)</b>                                  | <b>1,573,450</b>     | <b>833,298</b>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                         |                      |                      |
| Interest revenue                                                | 933,542              | 918,393              |
| Interest expense                                                | (26,515)             | (11,761)             |
| Intergovernmental                                               | 86,901               | 16,959               |
| Gain (loss) on disposal of capital assets                       | -                    | -                    |
| <b>Total nonoperating revenues (expenses)</b>                   | <b>993,928</b>       | <b>923,591</b>       |
| <b>Income (loss) before capital contributions and transfers</b> | <b>2,567,378</b>     | <b>1,756,889</b>     |
| Transfers in                                                    | -                    | -                    |
| Transfers out                                                   | (293,074)            | (317,269)            |
| <b>Change in net position</b>                                   | <b>2,274,304</b>     | <b>1,439,620</b>     |
| Net position-beginning                                          | 72,934,832           | 26,762,946           |
| Restatements                                                    | 4,878                | 15,800               |
| Net position-beginning, as restated                             | 72,939,710           | 26,778,746           |
| <b>Net position-ending</b>                                      | <b>\$ 75,214,014</b> | <b>\$ 28,218,366</b> |



# WATER/SEWER FUND BALANCE

## Statement of Net Position – Page 34

|                                              | <u>Water</u>                | <u>Wastewater</u>           |
|----------------------------------------------|-----------------------------|-----------------------------|
| <b>NET POSITION</b>                          |                             |                             |
| Net investment in capital assets             | 66,582,064                  | 11,091,542                  |
| Restricted for business improvement district | -                           | -                           |
| Unrestricted                                 | <u>8,631,950</u>            | <u>17,126,824</u>           |
| <b>Total net position</b>                    | <b><u>\$ 75,214,014</u></b> | <b><u>\$ 28,218,366</u></b> |

|                            | <u>Water</u>     | <u>Wastewater</u> |
|----------------------------|------------------|-------------------|
| Unrestricted Net Position: | \$8,631,950      | \$17,126,824      |
| Financial Policy Reserve:  | \$4,613,907      | \$966,396         |
| CIP Reserve:               | <u>4,082,460</u> | <u>12,266,753</u> |
| Total Reserves:            | \$8,696,367      | \$13,233,149      |
| Adjusted Unrestricted*:    | (\$64,417)       | \$3,893,675       |

\*Includes long-term equity items.



# FINANCIAL - CALPERS

## Statement of Net Position – Page 25

CalPERS Discount Rate: 6.8%

### CalPERS Returns

FY 2021-2022: -6.1%

FY 2022-2023: 5.8%

Net Pension Liability  
\$24,287,677

POBs Payable  
\$81.2 Million

Includes bonds, leases, SBITAS, insurance claims, and compensated absences. (Note 8)

#### ASSETS

|                                                               |  |
|---------------------------------------------------------------|--|
| Cash and investments                                          |  |
| Receivables:                                                  |  |
| Accounts                                                      |  |
| Taxes                                                         |  |
| Accrued interest                                              |  |
| Due from other governments                                    |  |
| Grants                                                        |  |
| Notes and loans                                               |  |
| Leases                                                        |  |
| Restricted assets:                                            |  |
| Cash and investments                                          |  |
| Cash with fiscal agent                                        |  |
| Due from OPEB trust fund                                      |  |
| Inventories                                                   |  |
| Prepaid costs                                                 |  |
| Capital assets (not being depreciated)                        |  |
| Capital assets (net of accumulated depreciation/amortization) |  |
| <b>Total assets</b>                                           |  |

#### DEFERRED OUTFLOWS OF RESOURCES

|                                             |  |
|---------------------------------------------|--|
| Deferred amount on refunding                |  |
| Pension-related                             |  |
| OPEB-related                                |  |
| <b>Total deferred outflows of resources</b> |  |

#### LIABILITIES

|                                                                                    |  |
|------------------------------------------------------------------------------------|--|
| Accounts payable                                                                   |  |
| Accrued liabilities                                                                |  |
| Accrued payroll                                                                    |  |
| Accrued interest                                                                   |  |
| Deposits payable                                                                   |  |
| Unearned revenue                                                                   |  |
| Noncurrent liabilities:                                                            |  |
| Due within one year: bonds, notes, leases, SBITA, claims, and compensated absences |  |
| Due in more than one year:                                                         |  |
| Net pension liability                                                              |  |
| Net OPEB liability                                                                 |  |
| Bonds, notes, leases, SBITA, claims, and compensated absences                      |  |
| <b>Total liabilities</b>                                                           |  |

#### DEFERRED INFLOWS OF RESOURCES

|                                            |  |
|--------------------------------------------|--|
| Pension-related                            |  |
| OPEB-related                               |  |
| Lease-related                              |  |
| <b>Total deferred inflows of resources</b> |  |

| Governmental Activities | Business-Type Activities | Total              |
|-------------------------|--------------------------|--------------------|
| \$ 92,664,438           | \$ 40,851,368            | \$ 133,515,806     |
| 1,306,681               | 1,256,313                | 2,562,994          |
| 3,969,957               | -                        | 3,969,957          |
| 890,344                 | -                        | 890,344            |
| 1,035,664               | -                        | 1,035,664          |
| 2,558,804               | -                        | 2,558,804          |
| 49,088                  | -                        | 49,088             |
| 22,922,368              | -                        | 22,922,368         |
| 3,599,985               | -                        | 3,599,985          |
| 1,305,903               | 117,382                  | 1,423,285          |
| 361,752                 | -                        | 361,752            |
| 107,520                 | 763,095                  | 870,615            |
| 56,494                  | -                        | 56,494             |
| 59,748,747              | 57,435,640               | 117,184,387        |
| 93,074,339              | 44,148,667               | 137,223,006        |
| <b>283,652,084</b>      | <b>144,572,465</b>       | <b>428,224,549</b> |
| 241,407                 | -                        | 241,407            |
| 43,155,092              | 1,006,726                | 44,161,818         |
| 6,583,415               | 652,779                  | 7,236,194          |
| <b>49,979,914</b>       | <b>1,659,505</b>         | <b>51,639,419</b>  |
| 4,365,156               | 4,128,229                | 8,493,385          |
| 3,072,502               | 334,342                  | 3,406,844          |
| 1,266,192               | -                        | 1,266,192          |
| 221,061                 | 107,720                  | 328,781            |
| 4,164,174               | 106,297                  | 4,270,471          |
| 2,127,826               | -                        | 2,127,826          |
| 18,789,763              | 785,950                  | 19,575,713         |
| 23,454,350              | 833,327                  | 24,287,677         |
| 3,213,906               | 318,677                  | 3,532,583          |
| 112,124,330             | 6,681,420                | 118,805,750        |
| <b>172,799,260</b>      | <b>13,295,962</b>        | <b>186,095,222</b> |
| 20,667,060              | 43,960                   | 20,711,020         |
| 5,226,251               | 518,212                  | 5,744,463          |
| 22,380,509              | -                        | 22,380,509         |
| <b>48,273,820</b>       | <b>562,172</b>           | <b>48,835,992</b>  |





# FINANCIAL - OPEB

## Statement of Net Position – Page 25

Total Liability: **\$14,386,505**  
 Fiduciary Net Position: **10,853,922**  
 Net OPEB Liability: **\$3,532,583**

### ASSETS

|                                                               |
|---------------------------------------------------------------|
| Cash and investments                                          |
| Receivables:                                                  |
| Accounts                                                      |
| Taxes                                                         |
| Accrued interest                                              |
| Due from other governments                                    |
| Grants                                                        |
| Notes and loans                                               |
| Leases                                                        |
| Restricted assets:                                            |
| Cash and investments                                          |
| Cash with fiscal agent                                        |
| Due from OPEB trust fund                                      |
| Inventories                                                   |
| Prepaid costs                                                 |
| Capital assets (not being depreciated)                        |
| Capital assets (net of accumulated depreciation/amortization) |
| <b>Total assets</b>                                           |

| Governmental Activities | Business-Type Activities | Total              |
|-------------------------|--------------------------|--------------------|
| \$ 92,664,438           | \$ 40,851,368            | \$ 133,515,806     |
| 1,306,681               | 1,256,313                | 2,562,994          |
| 3,969,957               | -                        | 3,969,957          |
| 890,344                 | -                        | 890,344            |
| 1,035,664               | -                        | 1,035,664          |
| 2,558,804               | -                        | 2,558,804          |
| 49,088                  | -                        | 49,088             |
| 22,922,368              | -                        | 22,922,368         |
| 3,599,985               | -                        | 3,599,985          |
| 1,305,903               | 117,382                  | 1,423,285          |
| 361,752                 | -                        | 361,752            |
| 107,520                 | 763,095                  | 870,615            |
| 56,494                  | -                        | 56,494             |
| 59,748,747              | 57,435,640               | 117,184,387        |
| 93,074,339              | 44,148,667               | 137,223,006        |
| <b>283,652,084</b>      | <b>144,572,465</b>       | <b>428,224,549</b> |

### DEFERRED OUTFLOWS OF RESOURCES

|                              |
|------------------------------|
| Deferred amount on refunding |
| Pension-related              |
| OPEB-related                 |

|                   |                  |                   |
|-------------------|------------------|-------------------|
| 241,407           | -                | 241,407           |
| 43,155,092        | 1,006,726        | 44,161,818        |
| 6,583,415         | 652,779          | 7,236,194         |
| <b>49,979,914</b> | <b>1,659,505</b> | <b>51,639,419</b> |

### LIABILITIES

|                                                                                    |
|------------------------------------------------------------------------------------|
| Accounts payable                                                                   |
| Accrued liabilities                                                                |
| Accrued payroll                                                                    |
| Accrued interest                                                                   |
| Deposits payable                                                                   |
| Unearned revenue                                                                   |
| Noncurrent liabilities:                                                            |
| Due within one year: bonds, notes, leases, SBITA, claims, and compensated absences |
| Due in more than one year:                                                         |
| Net pension liability                                                              |
| Net OPEB liability                                                                 |
| Bonds, notes, leases, SBITA, claims, and compensated absences                      |

|                    |                   |                    |
|--------------------|-------------------|--------------------|
| 4,365,156          | 4,128,229         | 8,493,385          |
| 3,072,502          | 334,342           | 3,406,844          |
| 1,266,192          | -                 | 1,266,192          |
| 221,061            | 107,720           | 328,781            |
| 4,164,174          | 106,297           | 4,270,471          |
| 2,127,826          | -                 | 2,127,826          |
| 18,789,763         | 785,950           | 19,575,713         |
| 23,454,350         | 833,327           | 24,287,677         |
| 3,213,906          | 318,677           | 3,532,583          |
| 112,124,330        | 6,681,420         | 118,805,750        |
| <b>172,799,260</b> | <b>13,295,962</b> | <b>186,095,222</b> |

### DEFERRED INFLOWS OF RESOURCES

|                                            |
|--------------------------------------------|
| Pension-related                            |
| OPEB-related                               |
| Lease-related                              |
| <b>Total deferred inflows of resources</b> |

|                   |                |                   |
|-------------------|----------------|-------------------|
| 20,667,060        | 43,960         | 20,711,020        |
| 5,226,251         | 518,212        | 5,744,463         |
| 22,380,509        | -              | 22,380,509        |
| <b>48,273,820</b> | <b>562,172</b> | <b>48,835,992</b> |





# AUDIT FINDINGS

Finance staff recommended restatements:

Capitalizing \$2.9 million of capital expenses in prior years

Year-End Close Procedures:

Material amount of client proposed journal entries given to our auditors after Trial Balance was submitted

Recommendation:

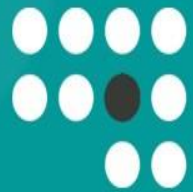
Increasing number of experienced finance staff dedicated to accounting and year-end close procedures



# QUESTIONS

Questions?





# 2024 Financial Audit

Presented by:  
Kelly Telford, CPA, Partner

February 13, 2025

[lslcpas.com](http://lslcpas.com)



# Your LSL Management Team



**Christian Townes,**  
**CPA**  
Partner



**Calvin Kunkel, CPA**  
Manager

**Justin Shaefer**  
Senior



**Ryan Domino, CPA**  
Concurring Partner



# Scope of Engagement

LSL has been engaged by the City of Manhattan Beach to perform the financial statement audit for the year ended June 30, 2024, in accordance with generally accepted auditing standards and Government Auditing Standards.



# Scope of Engagement

- Interim Fieldwork

- May 28 – May 31, 2024
- Examined internal controls
- Provided feedback to management
- Performed our audit risk assessment
- Planned year-end audit procedures to respond to risk

- Year-End Fieldwork

- October 28 – November 8, 2024
- Detailed testing of account balances and transactions
- Compliance testing with laws, regulations, grant agreements, contracts
- Other procedures necessary to obtain sufficient, appropriate audit evidence



# Results of Audit

- We issued an unmodified auditor's opinion on the financial statements.
  - Financial statements are accurate and reliable as of June 30, 2024.
- We issued the Report on Internal Control and Compliance
  - No opinion is expressed on the internal controls.
  - One material weakness reported surrounding financial reporting; no significant deficiencies noted.
  - No material noncompliance with laws, regulations, grants, etc. noted.
  - Material weaknesses or significant deficiencies *may* exist that were not identified.





# Results of Audit

## Audit Communication Letter (SAS 114 – conclusion)

- We had no difficulties conducting our audit.
- We had no disagreements with management about application of accounting principles.
- We determined that all estimates used by management in preparing the financial statements were reasonable.
- We identified no fraud, waste, or abuse during the fiscal year ended June 30, 2024.



# Financial Highlights

- Net position decreased \$380 thousand during the year to \$244.9 million.
- Unrestricted net position represented 58.2% of operating expenses and 1.7% of total net position.
- Prior period adjustment within governmental activities and business-type activities, primarily to correct capital asset activity.
- Capital assets increased \$23.4 million or 9.3% from the prior year.
- Long-term debts increased \$4.6 million or 3.3% from the prior year.
- Net pension liability increased \$8.5 million from the prior year.
- OPEB liability decreased \$3.7 million from the prior year.



# Questions



# Thank you!

## Contact Information

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CALIFORNIA: Brea | Irvine | Laguna Hills | Sacramento

TEXAS: The Woodlands

