



PRESENTATION TO THE FINANCE & AUDIT COMMITTEE OF THE CITY OF CARSON

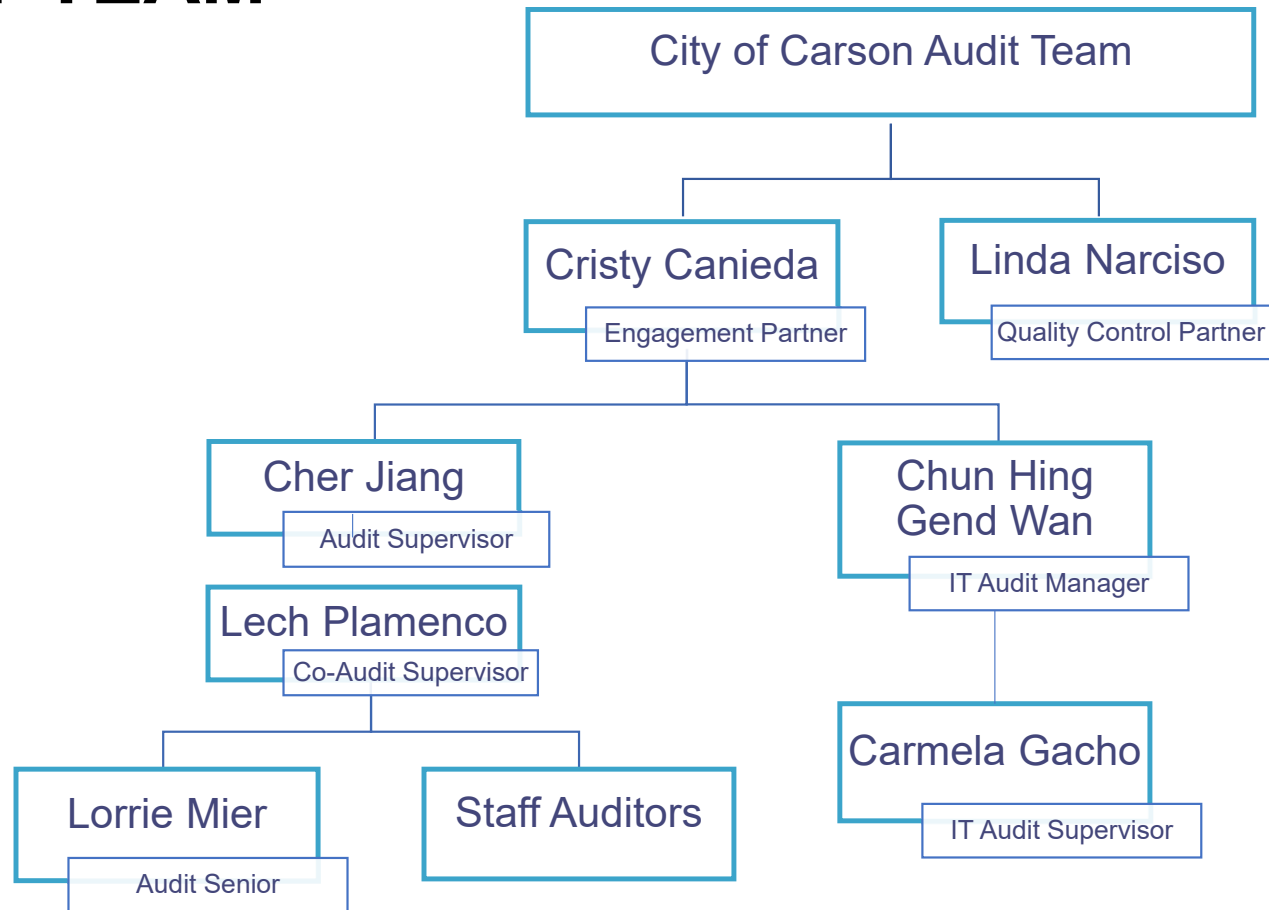
January 30, 2024



/ AGENDA

- The Audit Team
- Scope of Services
- Independence
- Summary of Audit Results
 - Financial Statements Audit
 - Single Audit
 - Financial Reporting Highlights
- Audit Recommendations
- Required Communications
- New Accounting Pronouncements – Effective in Future Years
- Questions
- Contact Information

/ THE AUDIT TEAM



SCOPE OF SERVICES

/ SCOPE OF SERVICES

1

The Financial Statement Audit

- City's basic financial statements
- City's Air Quality Improvement Special Revenue Fund
- City's Measure W Fund

2

The Single Audit

Audit of Major Federal Grant Programs in accordance with the Uniform Guidance

3

Year-Round **Consultation** on Financial and Accounting Matters

Vasquez & Company LLP meets the independence requirements of the *Government Auditing Standards* as it relates to the City

/ INDEPENDENCE

- There are no relationships between any of our representatives and the City that in our professional judgment may reasonably be thought to bear on independence.
- Vasquez & Company LLP meets the independence requirements of the *Government Auditing Standards* as it relates to City.

SUMMARY OF AUDIT RESULTS

/ FINANCIAL STATEMENTS AUDIT



Unmodified Opinion on Financial Statements

The financial statements fairly present, in all material respects, the City's financial position and changes in net position.

The supplemental combining financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Internal Control over Financial Reporting

No material weaknesses and significant deficiencies were noted on internal control over financial reporting.

/ SINGLE AUDIT

THRESHOLD AND IDENTIFICATION OF MAJOR PROGRAMS

Threshold

- \$750,000 / Type A Programs

Identification of Major Programs

- ALN 21.027 – American Rescue Plan Act (ARPA) (\$3.65 million, 77% of total Federal expenditures)

Audit Status

- In progress

/ FINANCIAL REPORTING HIGHLIGHTS – GOVERNMENT-WIDE

Overall Net Position

- The City's overall net position increased by \$128.0 million, from \$428.1 million at June 30, 2022 to \$556.1 million as of June 30, 2023. (ACFR p. 9 and 23)

Unrestricted Deficit in Net Position

- The City's unrestricted net position increased by \$118.9 million from a deficit of \$55.9 million at the prior year-end to \$63.0 million as of June 30, 2023. (ACFR p. 8)

City-wide Expenses

- City-wide expenses increased to \$128.2 million in FY 2023 from \$102.3 million in FY 2022, an increase of \$25.9 million. (ACFR p. 9)

Pension and OPEB liability

- The City reported the following Net Pension and Net OPEB liabilities at June 30, 2023:
 - Net Pension liability - \$10.2 million (2022 - \$47.1 million pension assets)
 - Net OPEB Liability - \$36.4 million (2022 - \$23.0 million)

/ FINANCIAL REPORTING HIGHLIGHTS – FUND LEVEL



Governmental Fund Expenditures

- Governmental Fund expenditures increased in 2022-23.
 - Governmental Fund expenditures 2022-23 \$139.7 million
 - Governmental Fund expenditures 2021-22 \$115.0 million

General Fund Total Fund Balance

- The City's General Fund total fund balance increased by \$115.1 million during the year (from \$107.9 million in 2022 to \$223.0 million at the end of 2023). The City projected a budget deficit of \$38.3 million for the fiscal year. (ACFR p. 26 and 117)
- The City's GF fund balance of \$223.0 million was \$153.3 million higher than the projected fund balance in General Fund of \$69.6 million in 2023. (ACFR p. 117)
- Of the \$223 million GF Fund Balance, \$27 million is restricted, \$24.1 million is committed, \$91.6 million is assigned and \$79.8 million is unassigned. (ACFR p. 24)

AUDIT RECOMMENDATIONS

/ AUDIT RECOMMENDATIONS

- Develop written Accounting/Treasury policies and procedures.
- Utilize other automated functions of Tyler Munis, such as Bank Reconciliation function.
- Train and assign an accountant to perform the month-end bank reconciliation. The accounting manager should perform the review process only.
- A second reviewer should review and sign off the daily cash receipt and reconciliation process in the Treasury Department.



REQUIRED COMMUNICATIONS

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Management's Responsibility	Management has primary responsibility for the accounting principles used, their consistency, application and clarity.
Consultations with Other Accountants	We are not aware of any consultations by management with other accountants about accounting or auditing matters.
Difficulties with Management	We did not encounter any difficulties with management while performing our audit procedures.
Disagreements with Management	We encountered no disagreements with management on financial accounting and reporting matters.



/ REQUIRED COMMUNICATIONS (CONTINUED)

Significant Accounting Policies

The City's significant accounting policies are appropriate and were consistently applied. During the fiscal year ended June 30, 2023, the City implemented the following GASB Statements:

- GASB 94 – "*Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*".
- GASB 96 – "*Subscription-Based Information Technology Arrangements*" (SBITAs).



/ REQUIRED COMMUNICATIONS (CONTINUED)

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, City Council, and audit firms work together in considering compliance with AICPA and Government Accountability Office (GAO) independence rules. AICPA and GAO rules require independence both in mind and in appearance when providing audit and other attestation services. Vasquez ensures that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement. Vasquez maintains a system of quality control over compliance with independence rules and firm policies.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.



/ REQUIRED COMMUNICATIONS (CONTINUED)

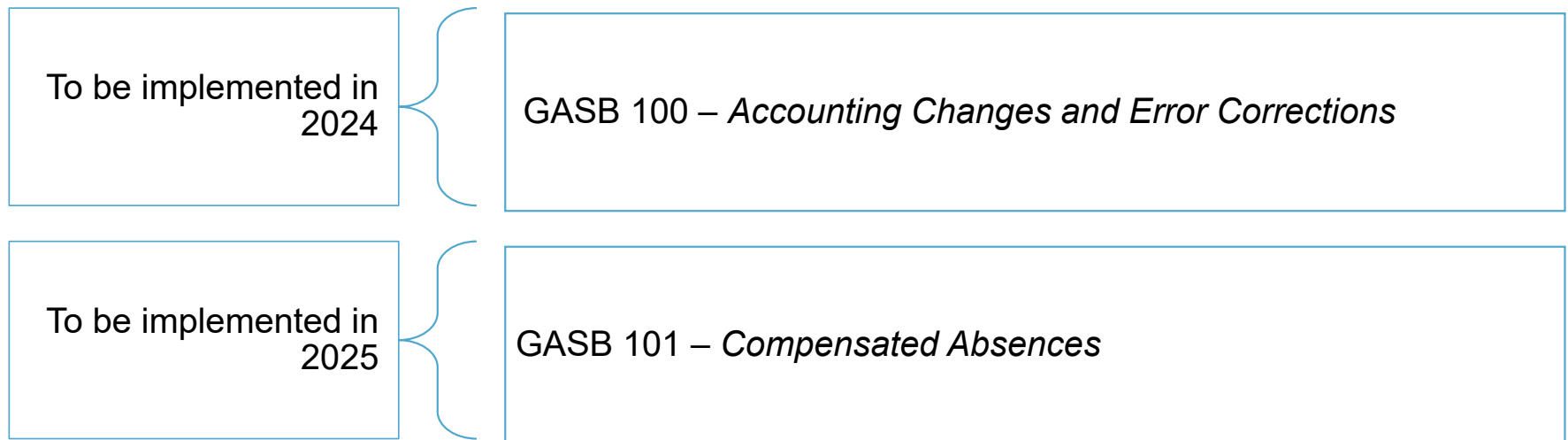
Conditions of Retention	No significant issues were discussed, or subject to correspondence, with management prior to retention.
Irregularities, Fraud or Illegal Acts	No irregularities, fraud or illegal acts came to our attention as a result of our audit procedures.
Management Representations	The City provided us with a signed copy of the management representation letters prior to issuance of our auditors' opinions.
Management Letter Comments	Management letter comments was issued to management.



NEW ACCOUNTING PRONOUNCEMENTS EFFECTIVE IN FUTURE YEARS

/ NEW ACCOUNTING PRONOUNCEMENTS – EFFECTIVE IN FUTURE YEARS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2023, that have effective dates that may impact future financial presentations.



QUESTIONS

/ Contact Information

Vasquez + Company LLP has over 50 years of experience in performing audit, accounting, and consulting services for all types of private companies, nonprofit organizations, governmental entities, and publicly traded companies. Vasquez is a member of the RSM US Alliance.

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**Thank you for your time
and attention.**