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CPAs | CONSULTANTS | WEALTH ADVISORS

City of Redondo Beach, California

Audit Exit Presentation

Year ended June 30, 2024

Agenda

- Audit Scope
- Audit Process
- Audit Opinions and Results
- Governance Communications
- Upcoming GASB Standards



Audit Scope



Report on the
City's financial
statements



Required
governance
communications
letter



Report on internal
control over
financial reporting
and on compliance
and other matters



Single Audit:
Report on
compliance for each
major federal
program, report on
internal control over
compliance, and
report on the
schedule of
expenditures of
federal awards



Audit Process

RISK-BASED APPROACH

Override of internal controls

Revenue recognition

Significant estimates

Accounting for capital assets



AUDIT OPINIONS

Financial statements

Unmodified opinions



AUDIT RESULTS

Financial statement

Three material weaknesses identified

- Grant accounting
- Construction in progress accounting
- Accounting for third-party activity

Two significant deficiencies identified

- Deposits payable
- Financial statement closing process



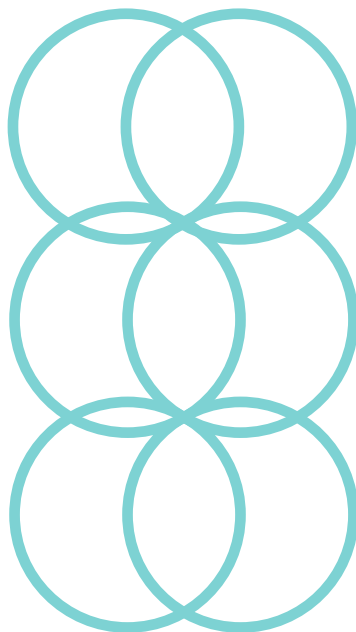
Governance Communications

Overall

- Accounting policy change – GASB 100
- Audit standards change – SAS 143-145
- No unusual transactions identified
- Receipt of management representation letter

Difficulties

- Audit delays due to City staff turnover
- No disagreements with management
- No consultations with other accountants identified



Most Sensitive Estimates

- OPEB liability and related deferred outflows/inflows of resources (Note 12B)
- Claims payable (Note 11)

Other

- Uncorrected misstatements – None identified
- Corrected misstatements - Material - 4
- Material weakness in internal control over financial reporting – Grant accounting, construction in progress (CIP) accounting, third-party activity accounting
- Significant deficiencies in internal control over financial reporting – deposits payable, financial statement closing process



Governance Communications

NEW ACCOUNTING CHANGES

What changed

Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections – An Amendment to GASB Statement No. 62*

Effective for reporting periods beginning after June 15, 2023

New requirements

Enhanced accounting and financial reporting for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Impact

More time evaluating accounting changes and error corrections

More changes to the financial statement presentation and note disclosures



Governance Communications

- Corrected misstatements:
 - Material:
 - Approximately, \$3,400,000 in grant receivables and related unavailable revenues and unearned revenues were written off or adjusted due to the old age of the receivables or corrections of the accounting for grant project activities (Other Governmental Grants Special Revenue Fund).
 - Approximately \$32,300,000 of construction in progress was restated, reclassified, or written off as either, projects had been completed, or the related project costs did not meet the City's capitalization policy which includes use of the modified approach for street infrastructure (Government-wide Governmental Activities, Business-type Activities, and the Harbor Tidelands and Harbor Uplands Enterprise Funds).
 - Approximately \$1,500,000 in assets related to the Marine Ave Hotel agreements were written down and related revenues and expenditures both needed to be increased by approximately \$2,600,000 to accurately report the activity pursuant to the agreements (General Fund).
 - Operating revenues and expenses related to rental activities administered by a contracted third-party management company were both increased by approximately \$3,300,000 to accurately account for the managed activities. In addition, restatements to the balance sheet were made to account for cash balance, commissions payable, lease deposits payable, accounts receivable and accounts payable activity handles by the management company. (Harbor Tidelands and Harbor Uplands Enterprise Funds)





Upcoming GASB Standards



GASB 101 Compensated Absences



Effective date
December 31, 2024



Updated framework

- Reevaluate leave policies
- Liability must include any accumulated leave that is unused or used but unpaid
- Footnote disclosures will be enhanced



Examples include

- Sick leave not paid at termination
- Parental leave
- Military leave and jury duty that has commenced



CLA can help by
evaluating the standard related to compensated absences and assisting with or evaluating in financial statement disclosures



GASB 102 Certain Risk Disclosures

CLA can help by assisting with or evaluating financial statement disclosure updates



Effective date
June 30, 2025



Increased footnote disclosures surrounding risk:

- Limitations on raising revenues
- Concentrations related to tax revenue or vendors
- Debt or mandated spending — especially unfunded mandates
- Impact of major employer leaving the community
- Collective bargaining agreements



GASB 103 Financial Reporting Module

CLA can help by
assisting with or
evaluating financial
statement
disclosure updates



Effective date
June 30, 2026



Impacts financial statement presentation

Updated disclosure guidance for:

- MD&A consistency
- Clearer definition of unusual or infrequent items
- Presentation of proprietary fund statements
- Major component unit information
- Budgetary comparison information



GASB 104 – Disclosure of Certain Capital Assets



Likely effective date
June 30, 2026



Will clarify how capital assets are disclosed in financials:

- Capital assets held for sale and related pledged debt
- Leased assets
- Subscription assets
- Right to use PPP assets
- Other intangible assets



CLA can help by
assisting with or evaluating
financial statement
disclosure updates





Questions and Feedback

We appreciate the opportunity to serve you
and welcome any feedback relative to our
performance and to the engagement.

