Presentation and Discussion Item 16

Presentation of the Annual Financial Audit for the Fiscal Year Ended June 30, 2026

November 10, 2026

Annual Financial Audit

Auditors' and Management's Responsibilities for the Audit

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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
  - State Controller's Minimum Audit Standards for California Special Districts
- 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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Annual Financial Audit

Structure of the Annual Financial Report

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Introductory Section

- Provides a letter from management highlighting key financial information
- Includes an overview of the organization's mission and 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

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:
  - Pension schedules
  - OPEB schedules
- Presents other supplementary information
  - Certificates of participation – revenue coverage
  - Certificates of participation – reconciliation of total revenues to total expenses.

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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.
  - Operating Information: Details on the government's operations and resources.

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Annual Financial Audit

Audit Results

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Audit Results

- **Unmodified** auditors' opinion
- Report on Internal Controls and Compliance
  - No material weaknesses identified
  - No significant deficiencies identified
  - No material noncompliance identified
- Change in accounting policies for GASB 103, *Financial Reporting Model Improvements,* GASB 104, *Disclosure of Certain Capital Assets* and GASB 105, *Subsequent Events*
  - Presentation changes to the financial statements
- Estimates are reasonable
  - Pension and OPEB liabilities
- No difficulties encountered during the audit
- Corrected and uncorrected misstatements:
  - No misstatements identified.
- No disagreements with management
- No fraud, waste, or abuse identified

Questions?

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