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# City of Lompoc

## Fiscal Year 2021/22 Financial Audit

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## Overview of the Audit

- LSL has been engaged by the City of Lompoc to perform a *financial audit* over the basic financial statements.
- Conducted over two weeks:
  - Interim audit was conducted week of May 23<sup>rd</sup>
  - Final audit was conducted week of October 17<sup>th</sup>
- Goal is to render an “opinion” on whether the amounts reported in the financial statements are reliable in all material respects.



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## Overview of the Audit

- What the Audit is Not:
  - Primarily a search for fraud or misappropriation of assets.
    - Although we are required to be always be cognizant of and consider the possibility such things, they are not our primary goal. We are required to report on them if they are identified or brought to our attention during our audit.
  - An evaluation of the operational results of an organization.
    - If we believe there is significant risk that the organization will fail financially within 12 months after reporting date, we will report on it. However, making judgment calls on normal year-over-year operating results (e.g., doing better or worse) is not within the scope of a financial audit.



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# Audit Report

- **Unmodified Opinion:**
  - Audit concluded and opinion was rendered on December 19<sup>th</sup>
  - The financial statements are reliable and materially correct as of June 30, 2022
- **Basis for Opinion:**
  - Generally accepted auditing standards
  - *Government Auditing Standards*



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## Audit Report

- Emphasis of Matter:
  - District implemented GASB Statement No. 87, *Leases*, which changed accounting principles for lease activities.
- Responsibilities of Management:
  - Preparation and presentation of financial statements
  - Design and implementation of internal controls
  - Consideration of going concern (will the City of Lompoc be financially solvent for the next 12 months?)



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## Audit Report

- Responsibilities of Auditor:
  - Obtain reasonable, not absolute, assurance that the financial statements are free from material misstatement due to fraud or error
  - Exercise professional judgment and maintain professional skepticism
  - Identify risks of material misstatement and develop audit procedures to respond to the risks
  - Obtain and understanding of internal control in order to design audit procedures
  - Evaluate appropriateness of accounting policies and estimates
  - Evaluate City of Lompoc for going concern



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# Audit Report

## Other Reporting Requirements

- Required Supplementary Information:
  - Perform limited procedures to required supplementary information including inquiries, comparisons to basic financial statements, reviewing for consistency with prior years, and other expectations.
    - *Management's Discussion and Analysis*
    - *Budgetary comparison schedule for the General Fund*
    - *Pension and other post-employment benefits (OPEB) schedules*
  - Provided to give explanations for changes in operations year-over-year and to provide historical context for pension and OPEB obligations.



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## Audit Report

### Other Reporting Requirements (continued)

- Supplementary Information:
  - Reconcile and compare information to the basic financial statements and underlying accounting records.
    - *Combining and individual fund statements*
    - *Budgetary comparison schedules for nonmajor special revenue funds, capital projects funds, and debt service funds*
  - Provide further detail on the aggregated information in the basic financial statements.





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## Audit Report

### Other Reporting Requirements (continued)

- Other Information
  - Introductory and Statistical sections are read for consistency with basic financial information
  - Provide general and historical (10 year) information about the government, as well as other background or contextual information.



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## Report on Internal Control and Compliance

- This report is required by *Government Auditing Standards* for the purpose of reporting significant deficiencies or material weaknesses in internal controls or material noncompliance with laws, regulations, grant agreements, bond covenants, contracts, etc.
- We identified one material weakness in internal control regarding the accounting for depreciation expense and related capital assets. This is a repeated finding from the 2021 financial audit and the City expects to resolve this finding going forward with the new ERP system.



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## Other Required Communication

- Significant Accounting Practices
  - Implementation of GASB 87
  - Management's estimates of net pension liability and net OPEB liabilities
- Significant or Unusual Transactions
  - None to report
- Difficulties Performing Audit, Misstatements, or Disagreements with Management
  - Deferred revenue in the amount of \$60,915 was not recorded at June 30, 2022 due to timing differences. This amount is immaterial and will be recorded in the 2023 fiscal year.



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## Summary of Results

- Unmodified (“clean”) audit opinion was rendered.
- One finding relating to capital assets and depreciation expense was reported as an internal control matter. This is expected to be resolved in 2023.
- No material noncompliance with laws, regulations, grant agreements, and contracts were identified.
- Immaterial deferred revenues were not recorded at June 30, 2022. Management opted to record the transactions in 2023.
- No difficulties conducting audit or disagreements with management about accounting policies occurred.



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