



NEWPORT BEACH

City Council Staff Report

March 10, 2026
Agenda Item No. 10

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Jason Al-Imam, Administrative Services Director/Treasurer - 949-644-3126, jalimam@newportbeachca.gov

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TITLE: Financial Statement Audit Results and Related Communication for the Fiscal Year Ended June 30, 2025

ABSTRACT:

The City of Newport Beach is audited annually by an independent auditing firm, presently Davis Farr LLP. The audit process takes several months, beginning after the books are closed (typically in September) and concluding several months later, once the financial statements have been prepared. On February 12, 2026, the Finance Committee met with representatives of Davis Farr LLP and reviewed the result of the audit in detail. A copy of the City's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025, is attached to this report. Also attached are the auditors' required communications with the Finance Committee in its capacity as the City's Audit Committee and the auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Receive and file.

DISCUSSION:

The auditors' opinion letter can be found within the ACFR (Attachment A), which reflects an unmodified or "clean" audit opinion, meaning that the financial statements are presented fairly, in all material respects, and in conformity with generally accepted accounting principles.

The first letter, included as Attachment B, is intended to communicate to the Finance Committee and the City Council matters of particular significance as required by auditing standards.

These include:

- Planned Scope and Timing of the Audit
- Compliance with All Ethics Requirements Regarding Independence
- Significant Risks Identified
- Qualitative Aspects of the City's Significant Accounting Practices
- Significant Unusual Transactions
- Significant Difficulties Encountered During the Audit
- Uncorrected and Corrected Misstatements
- Disagreements with Management
- Representations Requested from Management
- Management Consultations with Other Accountants
- Other Significant Matters Findings, or Issues
- Other Information Included in the Annual Comprehensive Financial Report

The auditors reported no significant unusual transactions, no significant difficulties encountered in connection with the performance of the audit, no material corrected and uncorrected misstatements, no disagreements with management, and no other audit findings or issues.

The second letter, included as Attachment C, is intended to communicate information regarding deficiencies in internal control, instances of non-compliance, and other related matters as required by auditing standards. The auditors did not identify any deficiencies in internal control that would need to be communicated to the Finance Committee, nor did they identify any instances of noncompliance or other matters to report.

The Single Audit, a compliance audit of federally assisted grant programs, is still ongoing. While no audit findings are anticipated as a result of the Single Audit, staff will communicate any findings, should they occur, to the Finance Committee at a future meeting.

FISCAL IMPACT:

There is no fiscal impact related to this item.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025

Attachment B – Auditors' Required Communications with the Audit Committee

Attachment C – Auditors' Report on Internal Control Over Financial Reporting and on Compliance Matters