

# City of Richmond

## Presentation to City Council

January 25, 2022

Presented by: **Ahmed Badawi, CPA**  
Partner



**Badawi & Associates**  
**Audit of the**  
**City of Richmond**

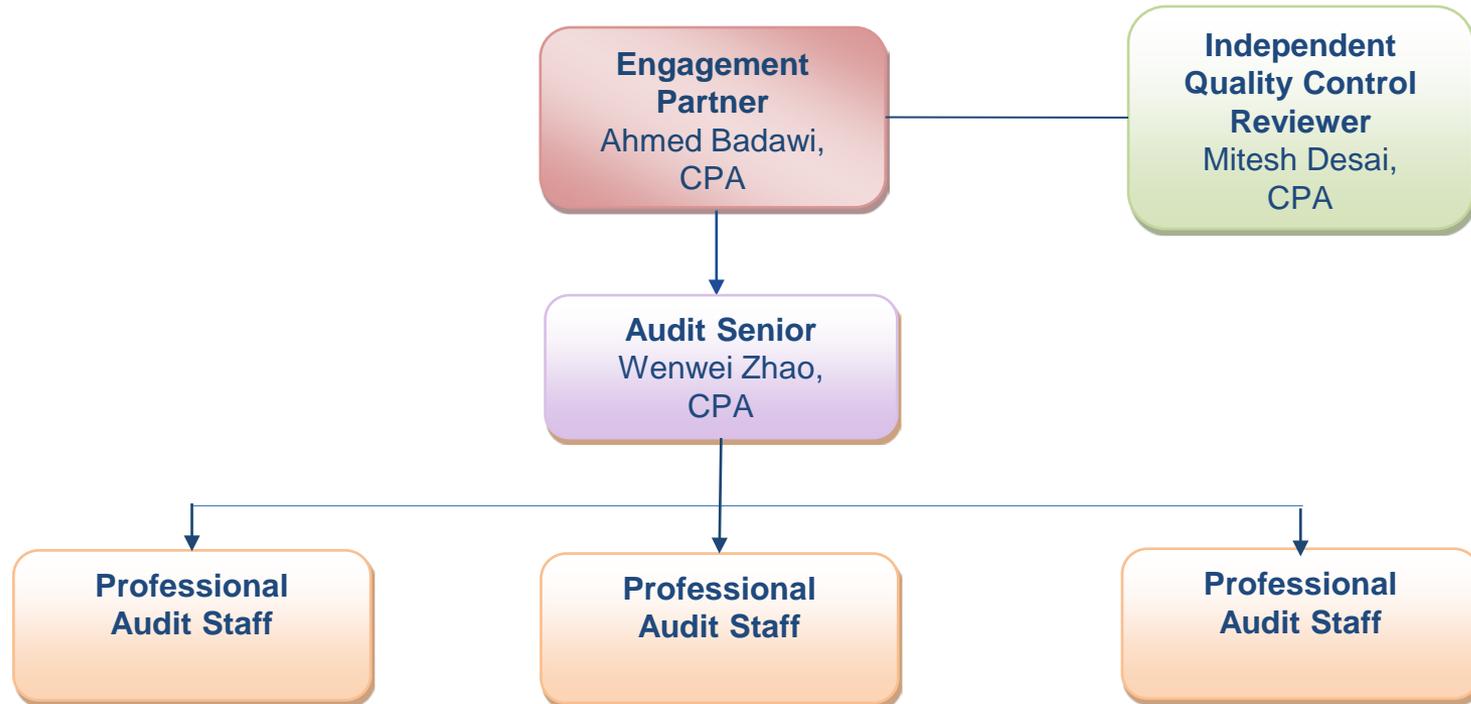
# Agenda

- Engagement Team
- Deliverables and Scope of the Audit
- Areas of Primary Emphasis
- Auditors Report and Financial Statements
- Required Communications
- New Accounting Standards
- Conclusion & Discussion/Questions

# Engagement Team



# Engagement Team



# Deliverables and Scope of the Audit

- Report of Independent Auditors on City of Richmond Annual Comprehensive Financial Report (ACFR)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
- Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with the Uniform Guidance (City and Housing Authority)
- Report on Compliance with TDA
- Report of Independent Auditors on the Joint Powers Financing Authority Basic Financial Statements
- Report of Independent Auditors on the Housing Authority Basic Financial Statements
- Annual Report of Financial Transactions to the State Controller (City, Sewer District, JPFA and 3 non-CalPERS pension plans)
- Agreed Upon Procedures – Appropriations Limit
- Communications With Those Charged With Governance
  - Letter used to summarize communication of various significant matters to those charged with governance.

# Areas of Primary Audit Emphasis

- The risk of management override of controls is addressed by the following procedures:
  - Assignment of audit staff based on consideration of audit risk.
  - Procedures to incorporate an element of unpredictability in the audit.
  - Consideration of the selection and application of significant accounting principles.
  - Examination of journal entries.
  - Review of accounting estimates for bias.
  - Evaluation of business rationale for unusual transactions.
  - Evaluation of the appropriateness of fraud-related inquiries performed
- Impact of the Shelter in place and remote work on the control environment
- Revenues & Receivables (Tax, Grants, Notes, etc): Improper revenue recognitions
  - Governmental Funds: Confirm/validate property taxes, sales taxes, franchise taxes & other significant revenues/receivables.
  - Proprietary Funds: Substantive analytical procedures
- Pension and OPEB: Complex accounting treatment
  - Reviewed management's journal entries for implementing GASB 68 and GASB 75
  - Reconciled amounts recorded to reports provided by CalPERS and their auditors



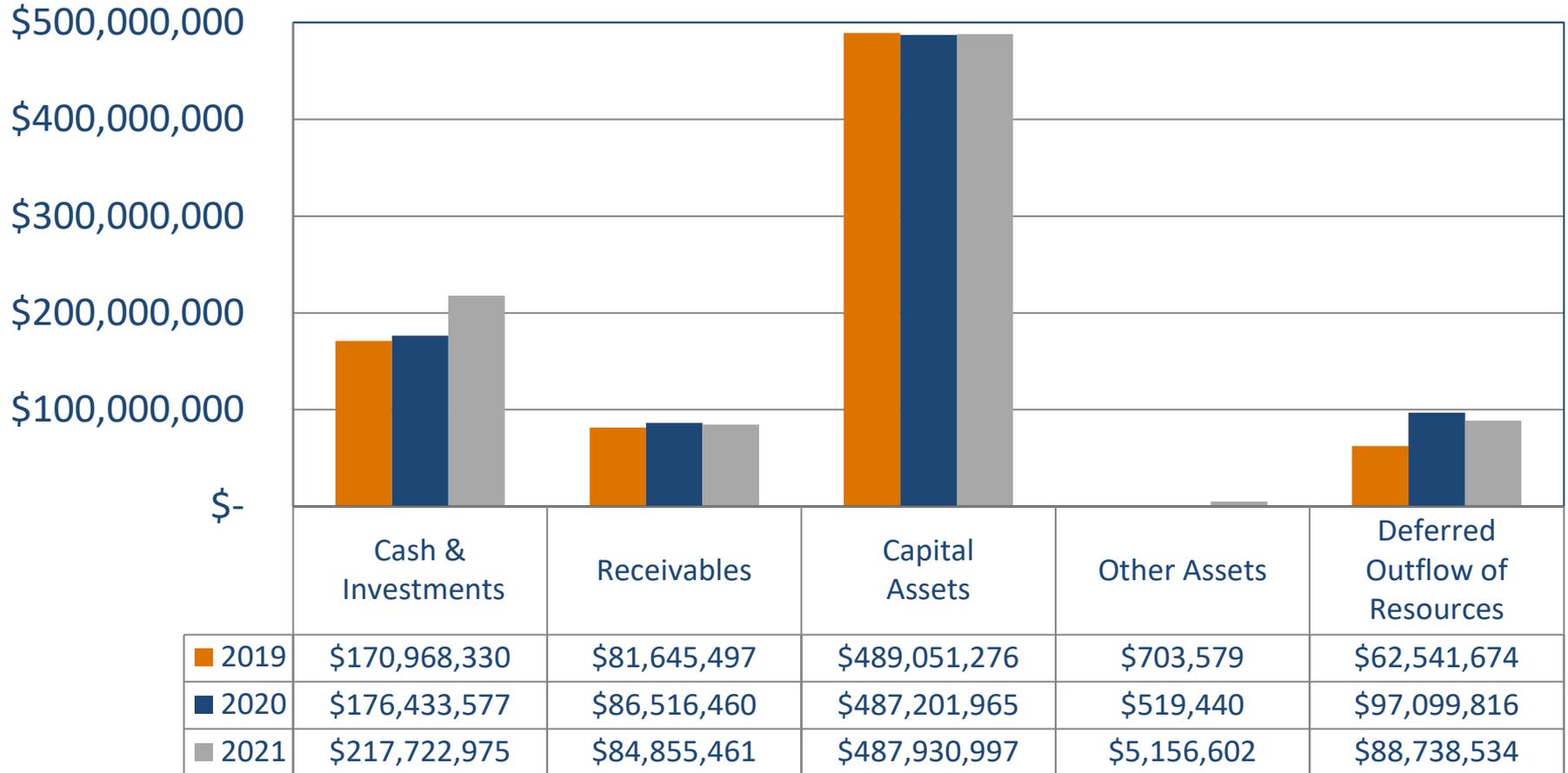
# Auditors Report

- Unmodified opinion except for RHA; Business-Type Activities; RHA RAD, LLC; RHA Properties; and RHA Housing Corporation for which we disclaimed the opinion
- Audit performed in accordance with Generally Accepted Auditing Standards, and *Government Auditing Standards*
- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements



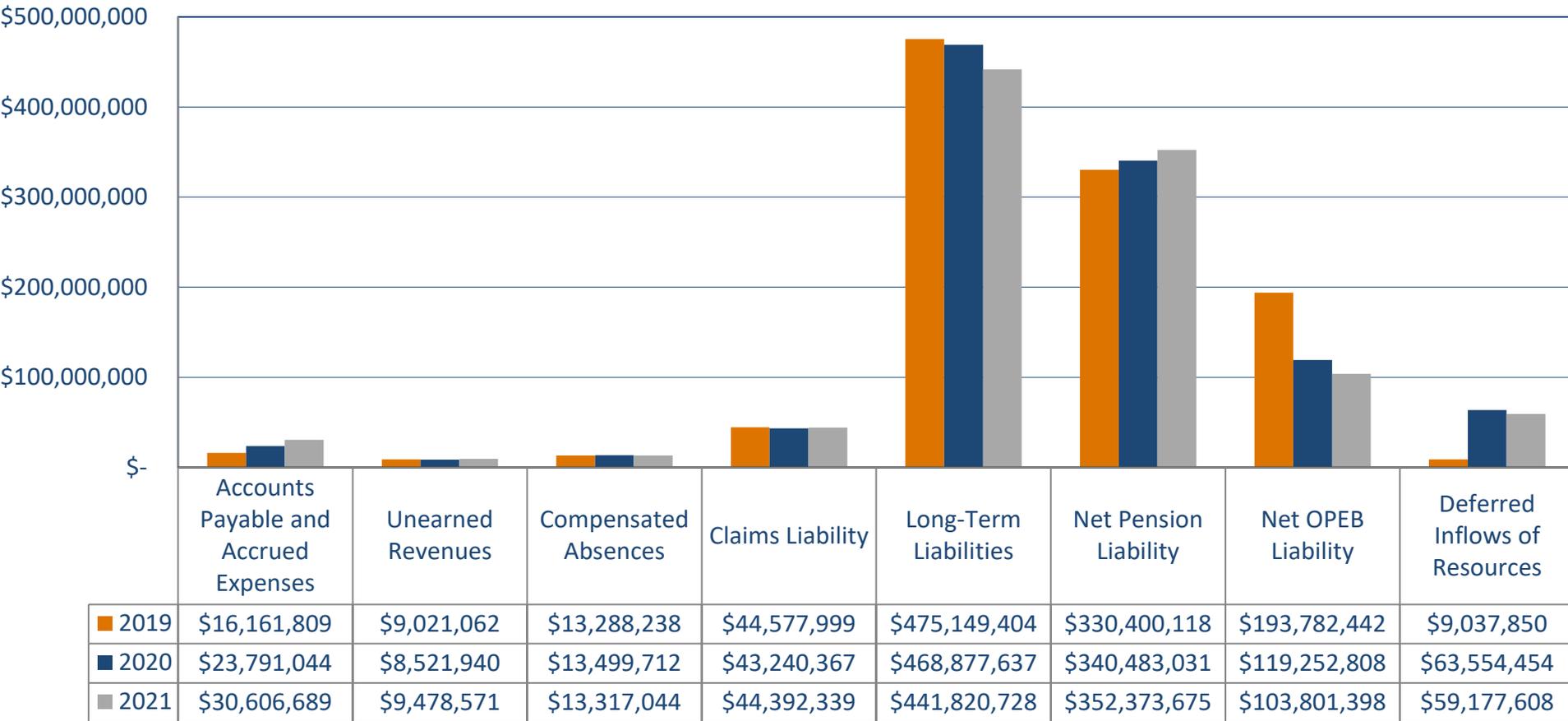
# Government-Wide Financial Statements

## Assets and Deferred Outflow of Resources



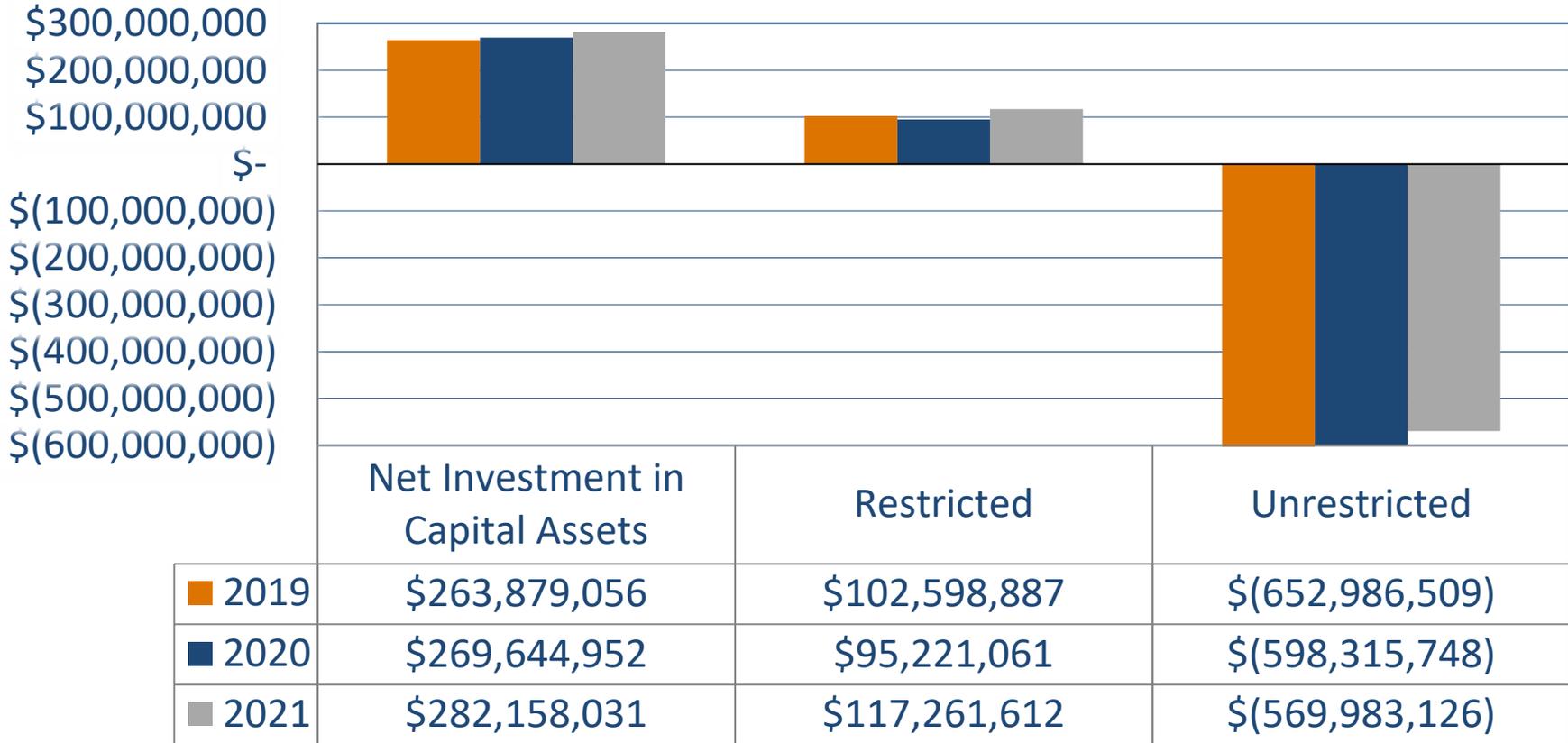
# Government-Wide Financial Statements

## Liabilities and Deferred Inflows of Resources



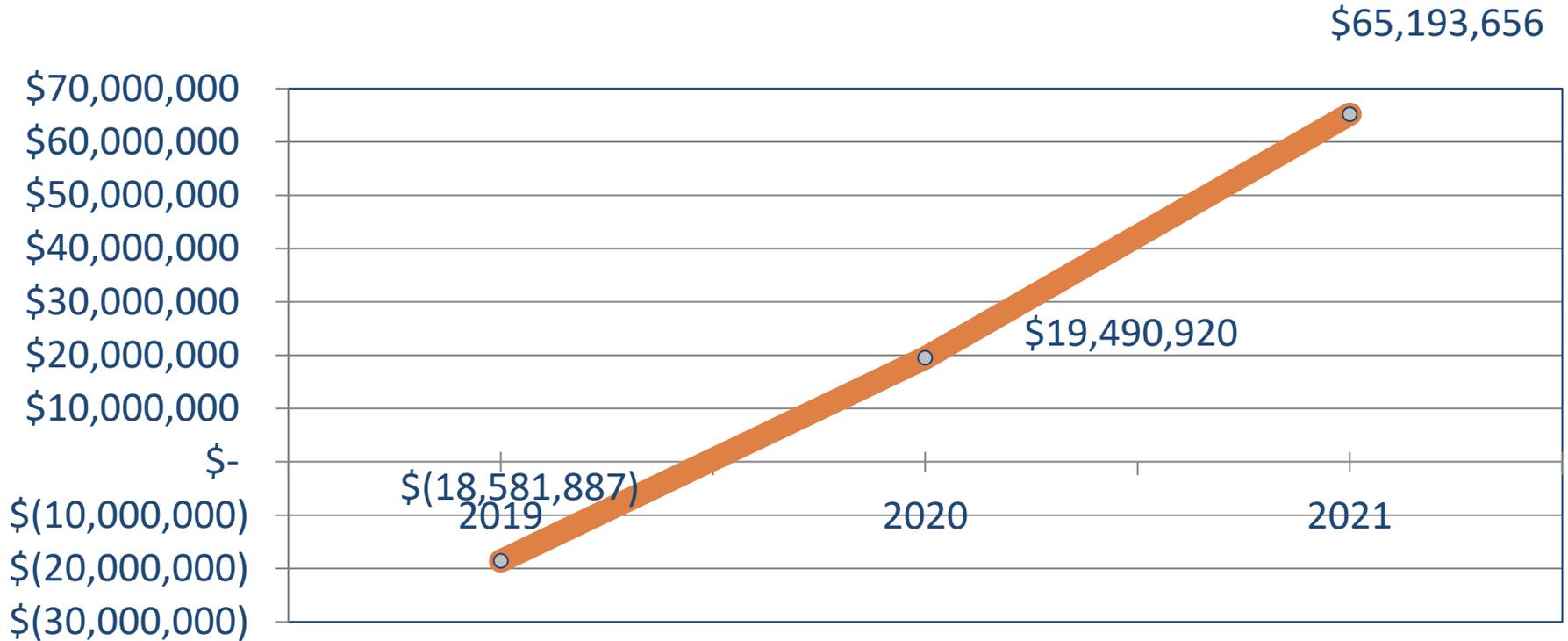
# Government-Wide Financial Statements

## Net Position



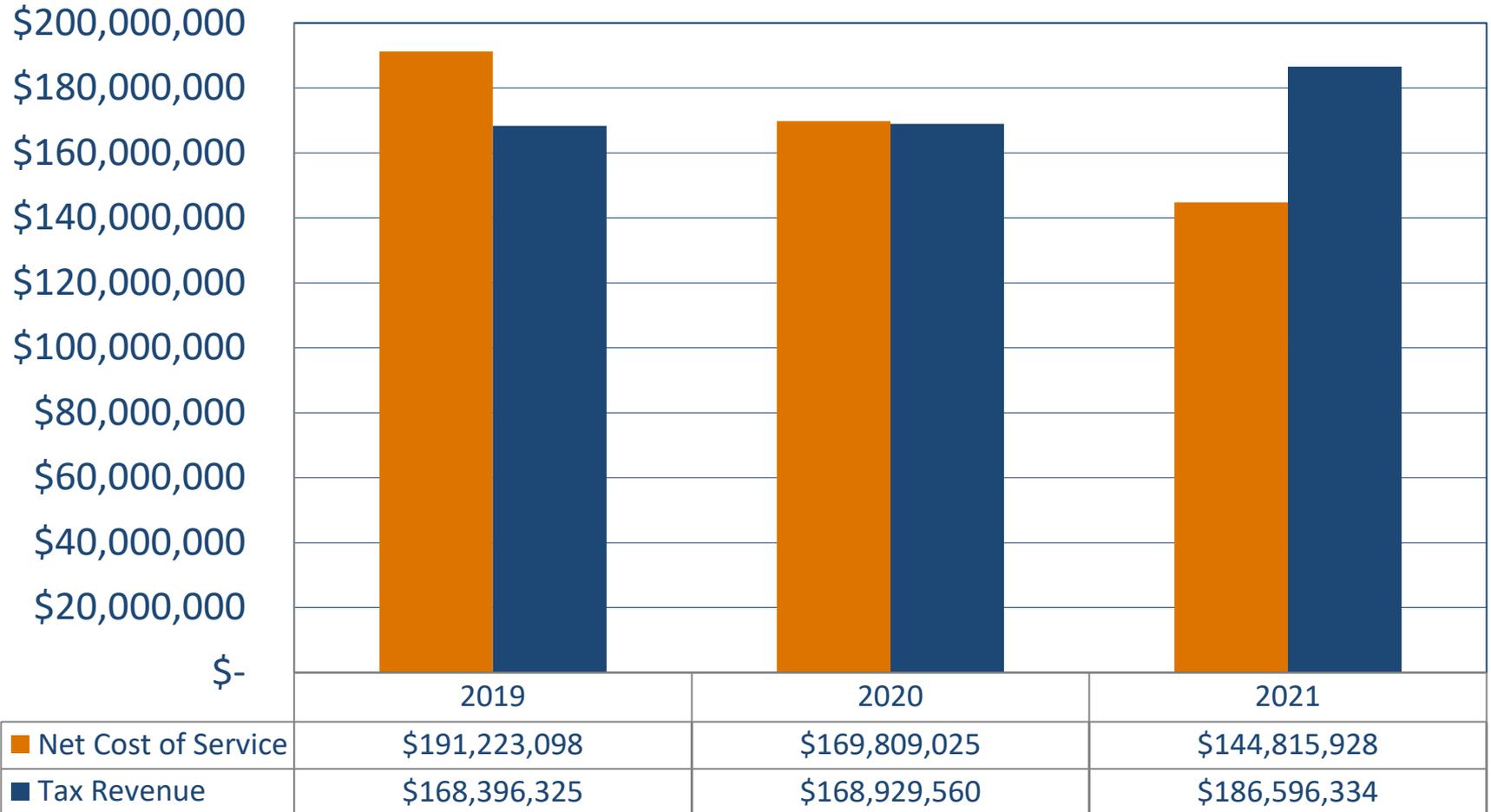
# Government-Wide Financial Statements

## Changes in Net Position



# Government-Wide Financial Statements

## Net Cost of Service to Tax Revenue



# General Fund

## Expenditure Coverage

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Committed Fund Balance	\$ -	\$ 1,500,000	\$ 9,800,000
Assigned Fund Balance	63,180	113,349	2,436,475
Unassigned Fund Balance	19,534,660	20,326,889	22,477,829
Total Unrestricted Fund Balance	<u>\$ 19,597,840</u>	<u>\$ 21,940,238</u>	<u>\$ 34,714,304</u>
Total Expenditures	<u>\$ 162,941,088</u>	<u>\$ 162,447,955</u>	<u>\$ 161,619,763</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>12.03%</u>	<u>13.51%</u>	<u>21.48%</u>
Number of months	1	2	3

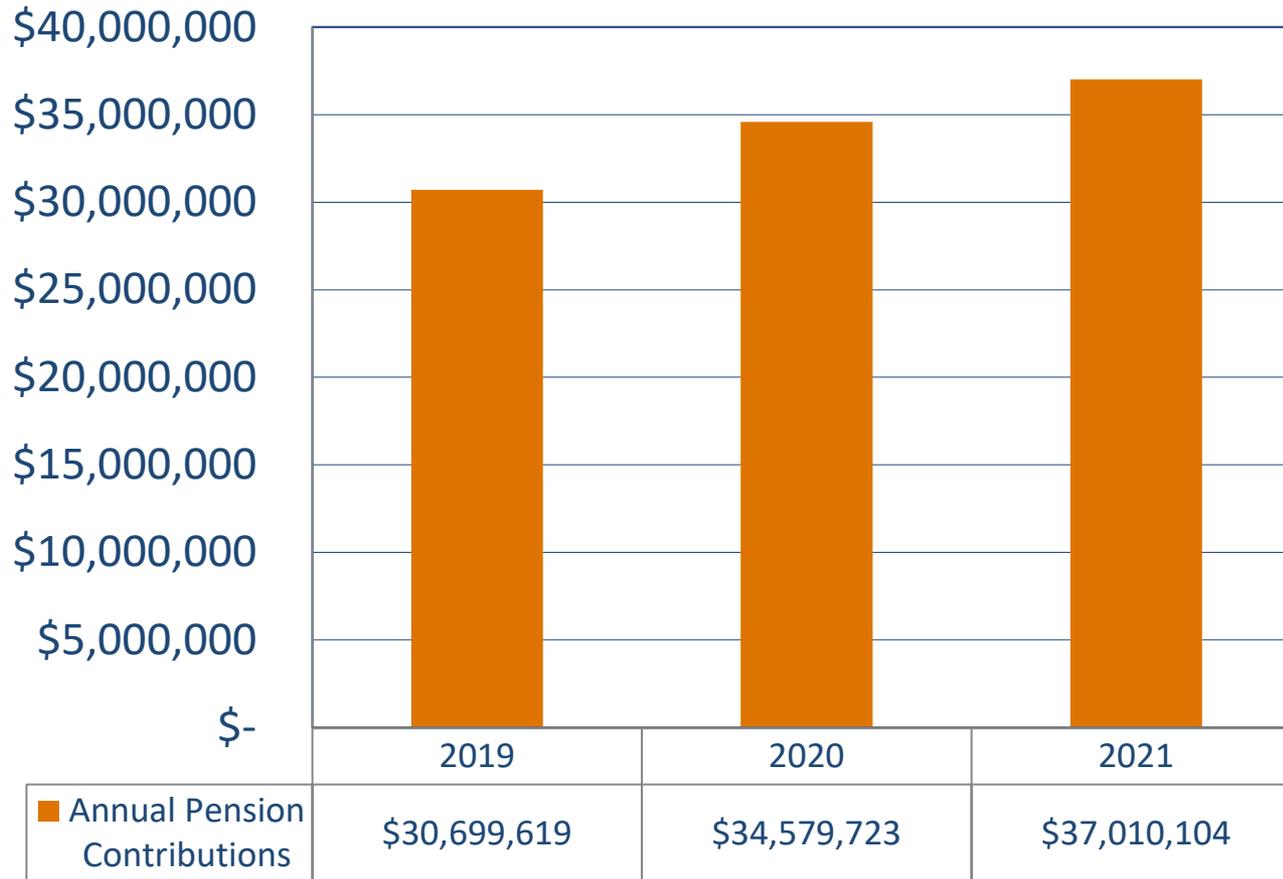
GFOA recommendation

No less than 2 months

Measure of City's ability to operate with no revenues using available fund balance.

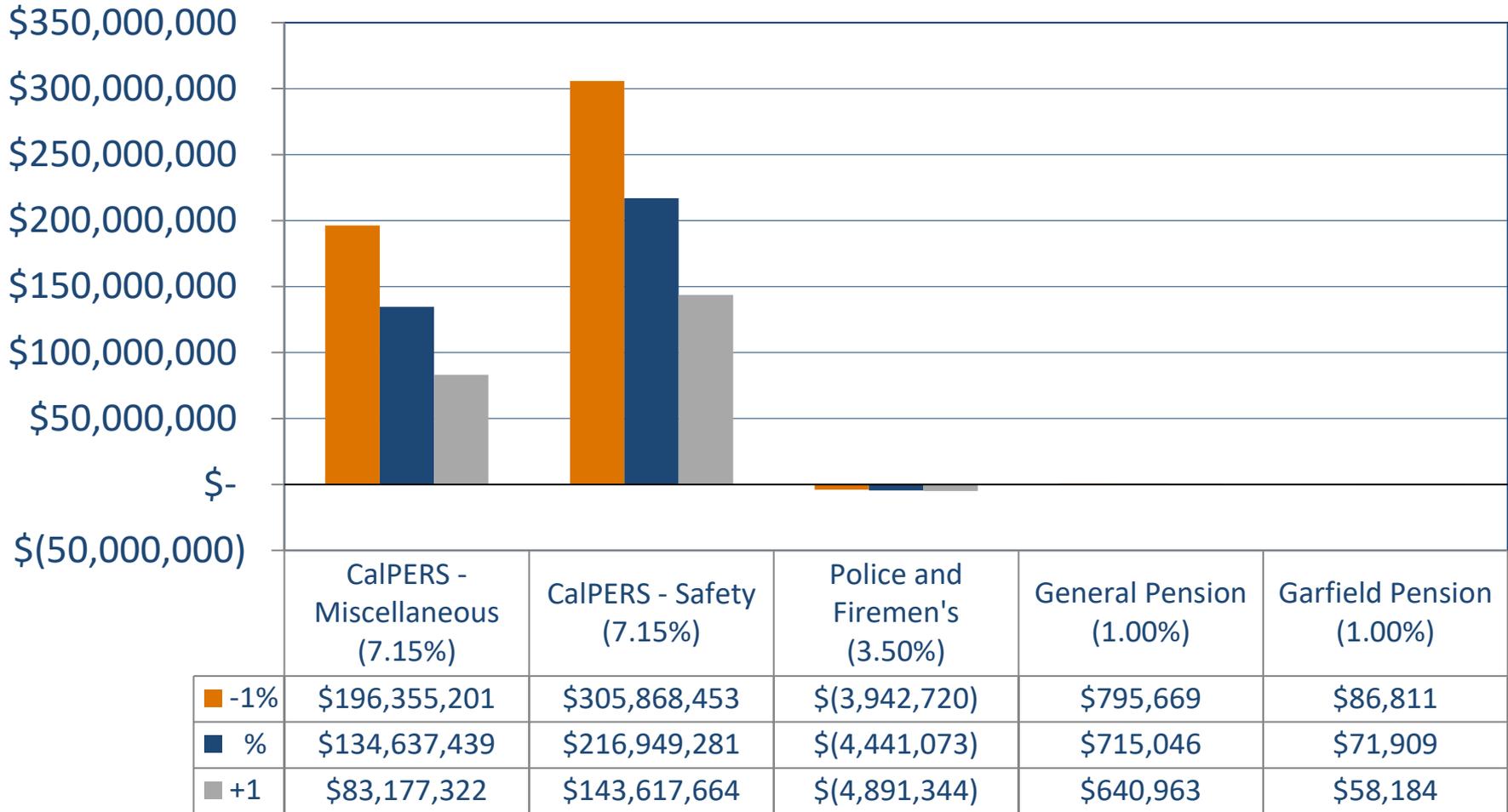
# Pension Plan

## City's Annual Pension Contributions



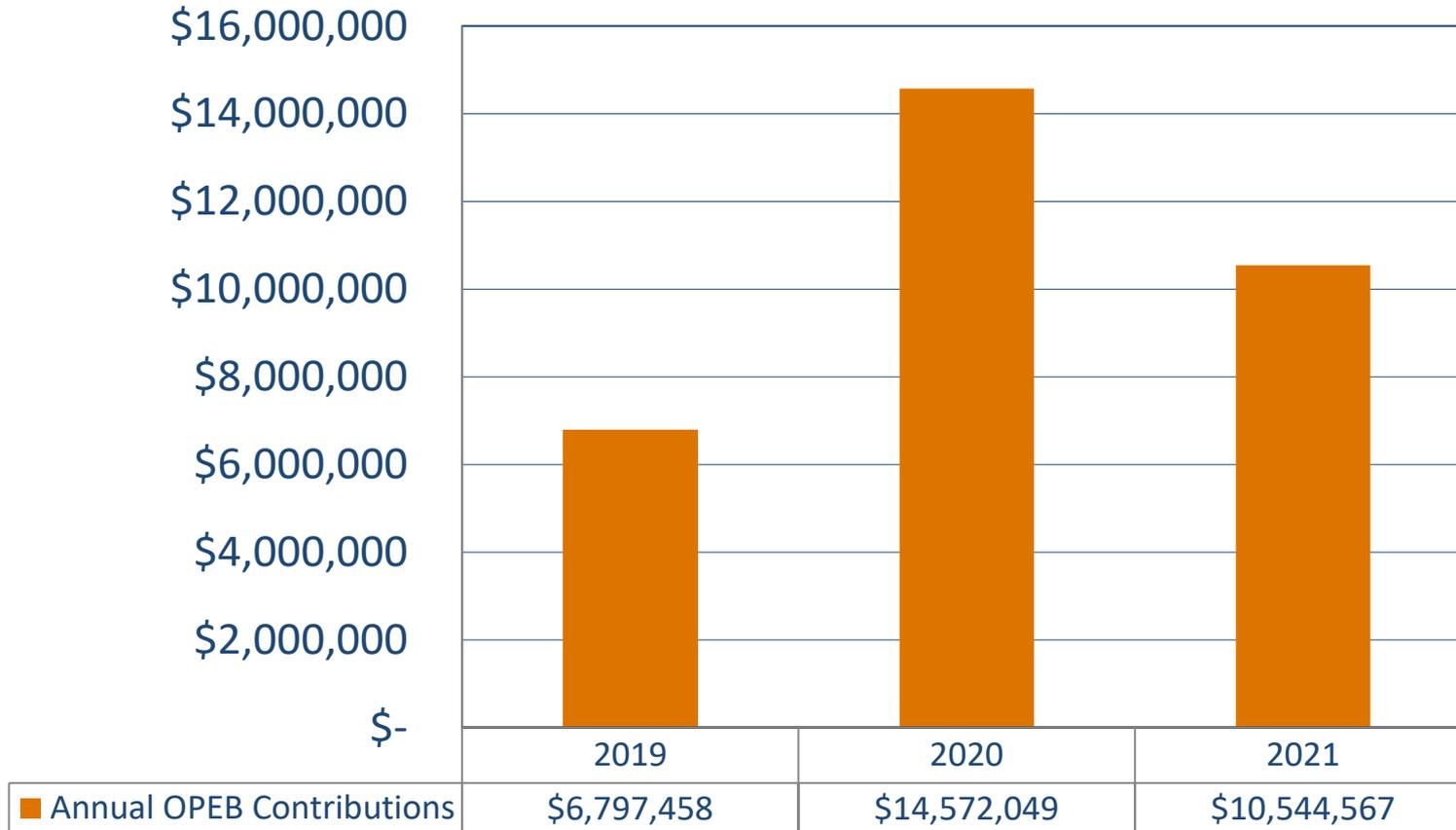
# Pension Plan

## City's Pension Plans Sensitivity to Discount Rate



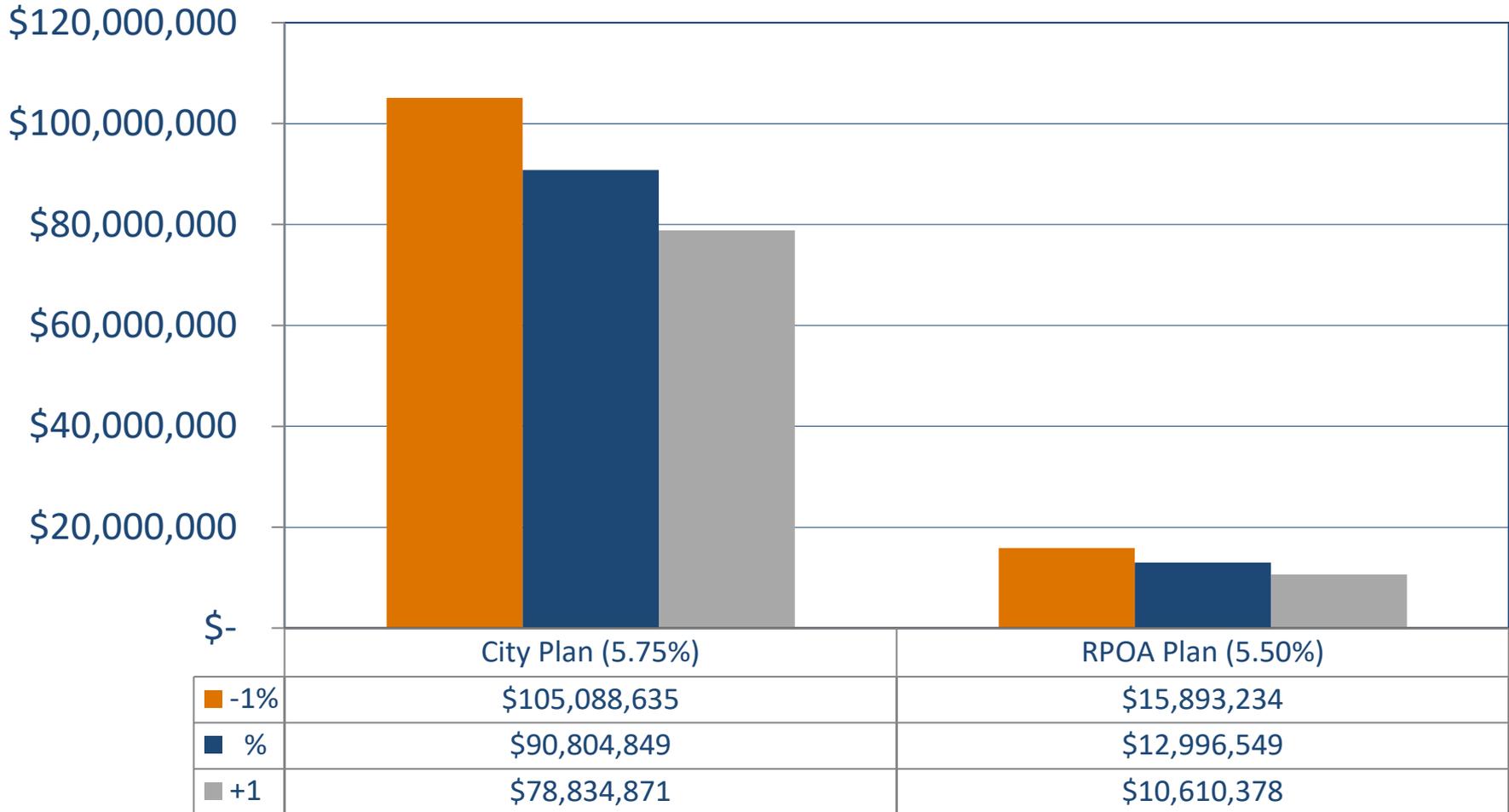
# Other Postemployment Benefits

## City's Annual OPEB Contributions



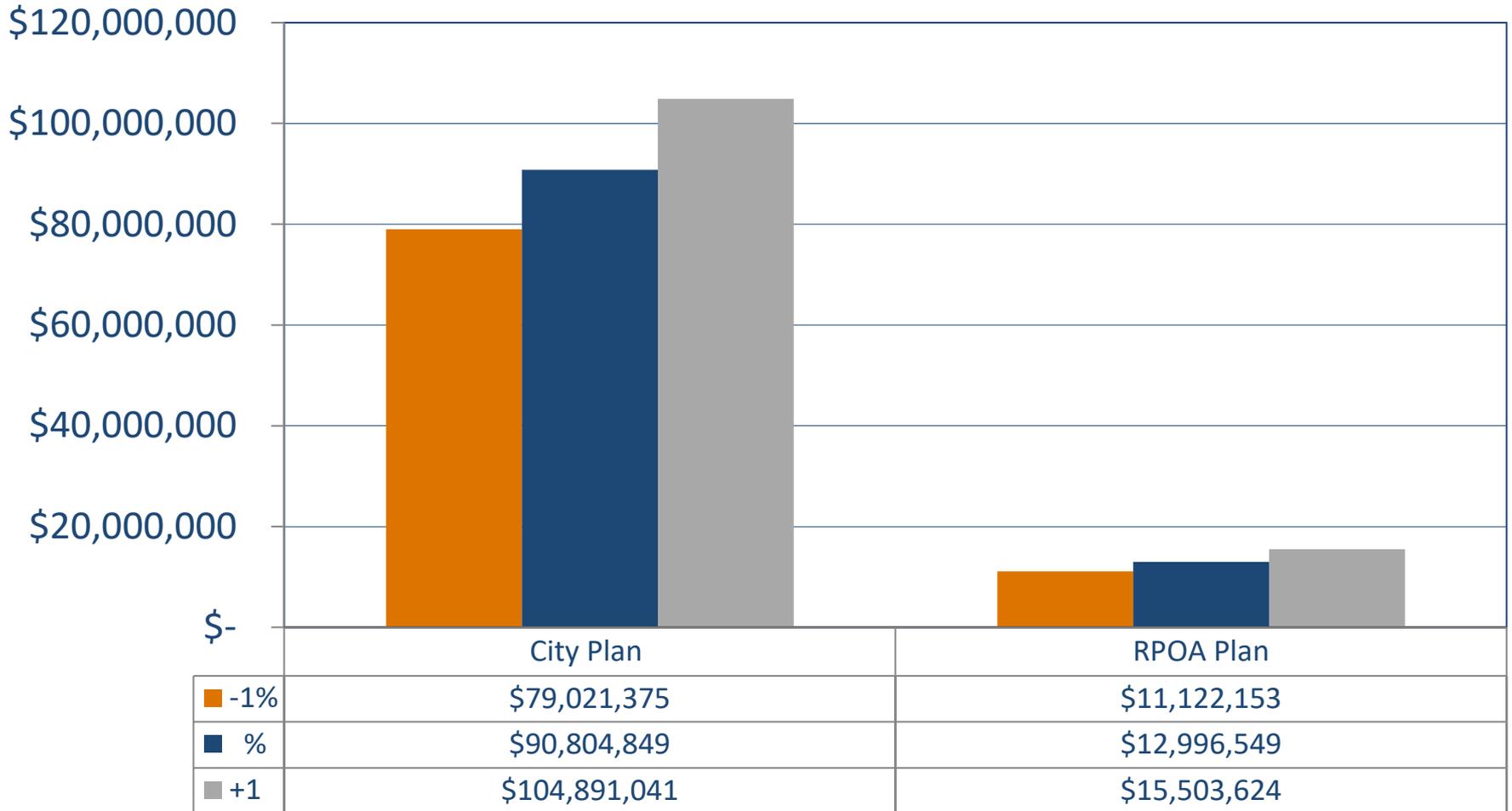
# OPEB Plans

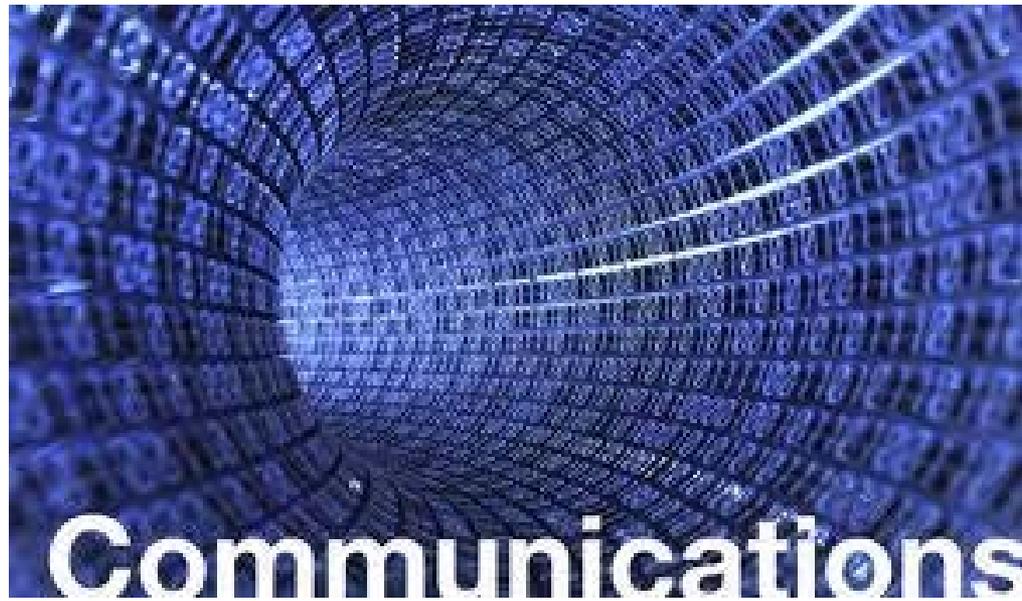
## City's OPEB Plans Sensitivity to Discount Rate



# OPEB Plans

## City's OPEB Plans Sensitivity to Healthcare Trend Rate





# Required Communications

## • Our Responsibility Under U.S GAAS

- Opinion on whether financial statements are fairly stated in accordance with U.S GAAP
- Evaluate internal control over financial reporting including tone at the top
- Evaluate compliance with laws, contract and grants
- Ensure financial statements are clear and transparent
- Communicate with the governing body

## • Management Responsibility

- Management is responsible for the financial statements
- Establish and maintain internal control over financial reporting
- Making all financial records available to us
- Establish internal control to prevent and detect fraud
- Inform us of all known and suspected fraud
- Comply with laws and regulations
- Take corrective action on audit findings

# Required Communications

- Independence



- It is our responsibility to maintain independence
- We will maintain our independence by strict adherence to the AICPA and the Board of Accountancy rule
- Other than compiling the financial statements, no other services performed that could affect our independence

- Timing of the Audit



- Within the time frame communicated to the City in our engagement letters

- Significant Accounting Policies and Unusual Transactions



- GASB Statement No. 84
- GASB Statement No. 90
- GASB Statement No. 93
- GASB Statement No. 98

# Required Communications

- Management Judgment and Accounting Estimates



Significant management estimates impacting the financial statements include the following:

- Useful lives of Capital Assets
- Investment valuations
- Pension Liability
- OPEB Liability
- Claim Liability

- Sensitive Disclosures



- Summary of Significant Accounting Policies
- Cash and Investments
- Capital Assets
- Pension Plan
- OPEB Plan
- COVID 19 Pandemic

# Required Communications

- Difficulties Encountered in Performing the Audit  None.
- Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial  None.
- Potential Effect on the Financial Statements of Any Significant Risks and Exposures  No significant risks or exposures were identified. Legal matters and potential liabilities are disclosed in the financial statements.
- Disagreement with Management  None.

# Required Communications

- Deficiencies in Internal Control over Financial Reporting



- City's financial condition
- Large volume of unprocessed invoices
- Delays in PAF submission and approvals
- Segregation of duties in AP and Payroll
- Grant Management

# Required Communications

- Representations Requested of Management  We obtained representations from management prior to issuance of our reports.
- Management Consultation with Other Accountants  We are not aware of any significant accounting or auditing matters for which management consulted with other accountants
- Other Material Written Communications  Other than the engagement letters and management representation letters, there have been no other significant communications
- Material Uncertainties Related to Events and Conditions  There were no material uncertainties related to events and conditions.
- Fraud and Illegal Acts  We have not become aware of any instances of fraud or illegal acts, which was not disclosed by the City

# New Accounting Standards

2022

- GASB Statement No. 87 – Leases
- GASB Statement No. 89 – Construction-period interest
- GASB Statement No. 92– Omnibus (multiple effective date)
- GASB Statement No. 93 – LIBOR removal and lease modifications
- GASB Statement No. 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans
- GASB Statement No. 98 – The Annual Comprehensive Financial Report

2023

- Statement 91 – Conduit Debt Obligations
- Statement 94 – Public-private partnerships
- Statement 96 – Subscription-Based Information Technology Arrangements

# Questions



Ahmed M. Badawi  
abadawi@b-acpa.com

**Thank You  
For Allowing Us to Provide Audit Services  
to the City of Richmond**

