

# City of Richmond

## Presentation to City Council

**February 6, 2024**

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



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

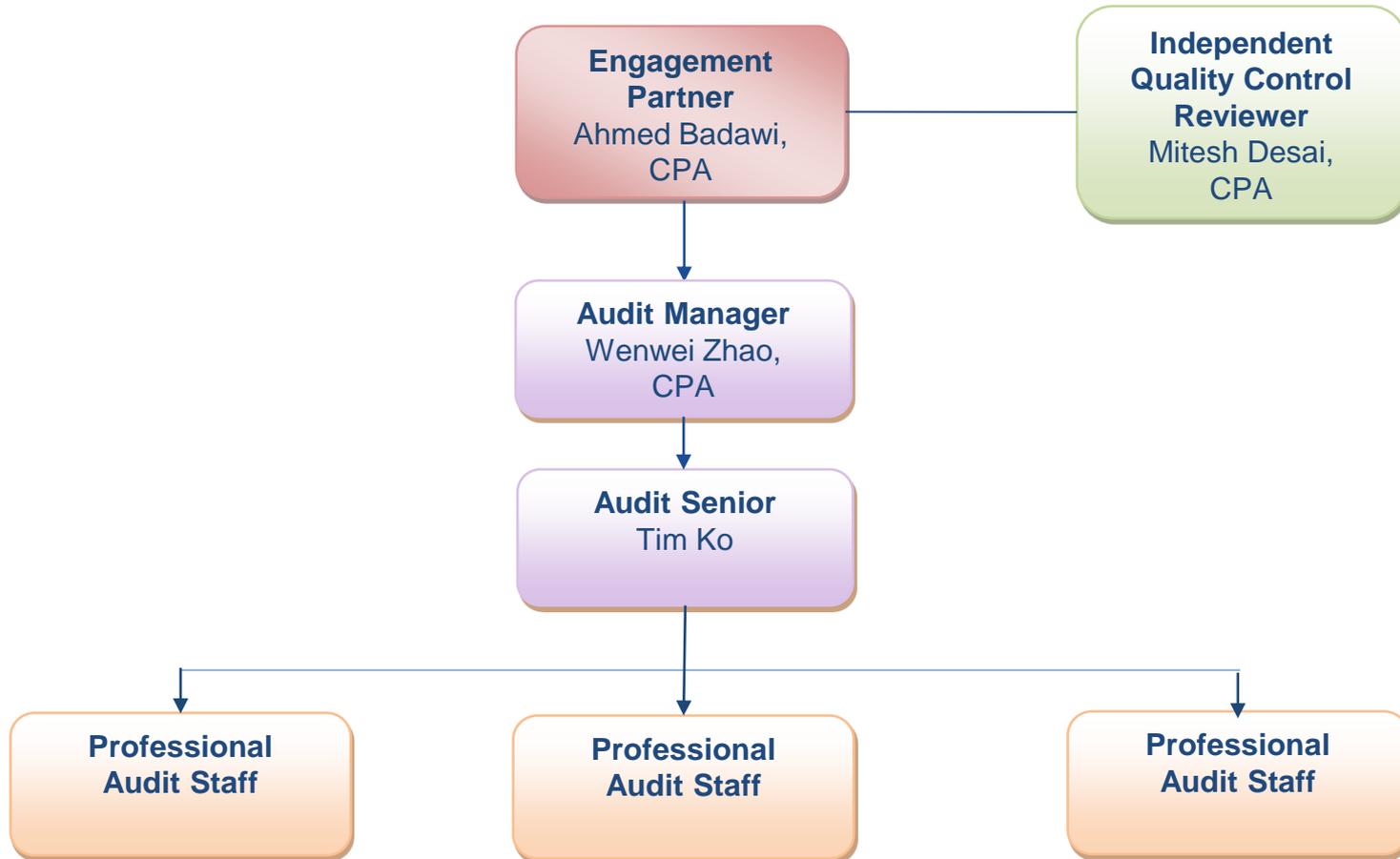
# Agenda

- Engagement Team
- Deliverables and Scope of the Audit
- Areas of Primary Emphasis
- Auditor's 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 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)
- Report of Independent Auditors on the California Violence Intervention and Prevention (CalVIP) Grant Program
- 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
- 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



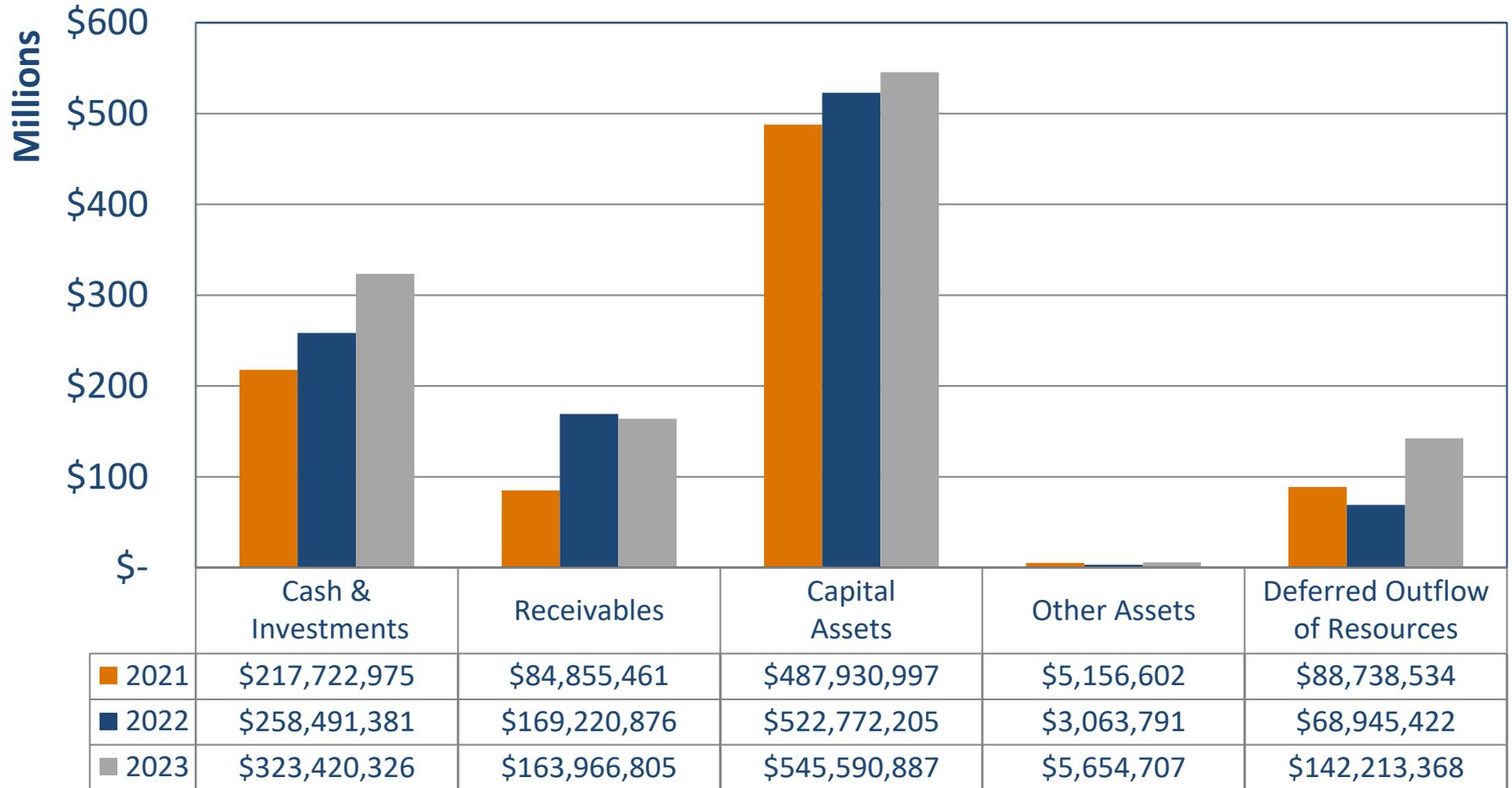
# Auditor's Report

- 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



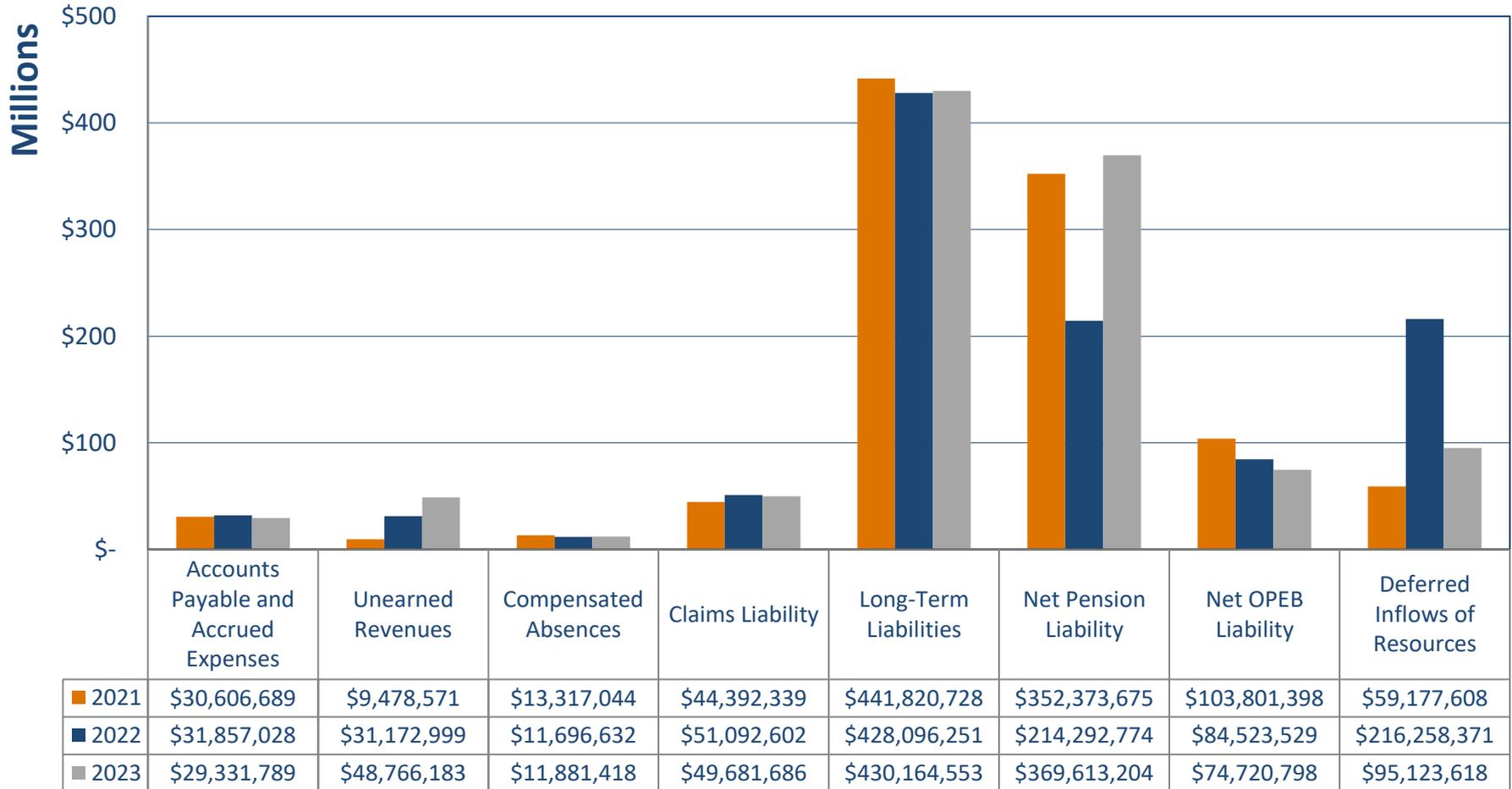
# Government-Wide Financial Statements

## Assets and Deferred Outflow of Resources



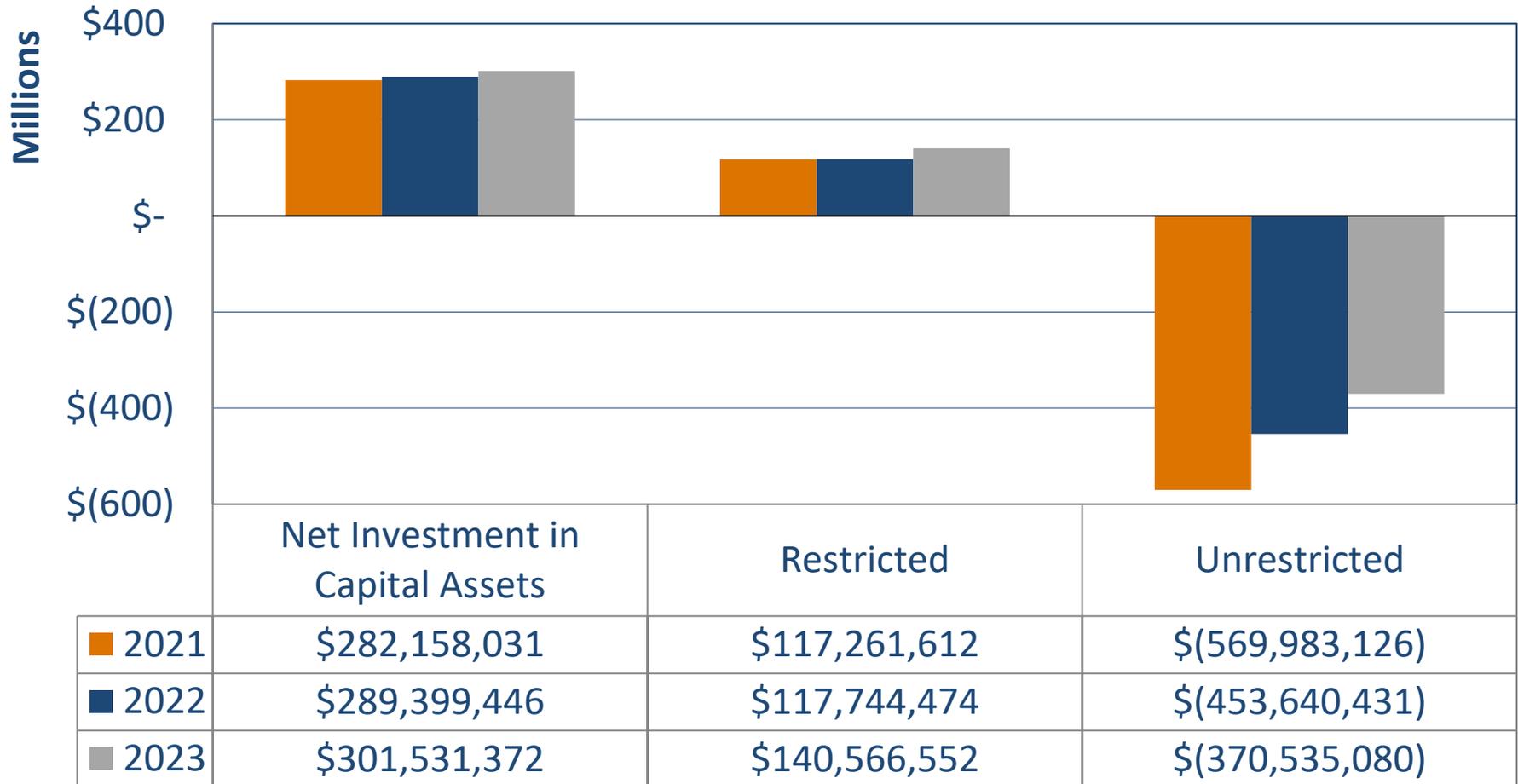
# Government-Wide Financial Statements

## Liabilities and Deferred Inflows of Resources



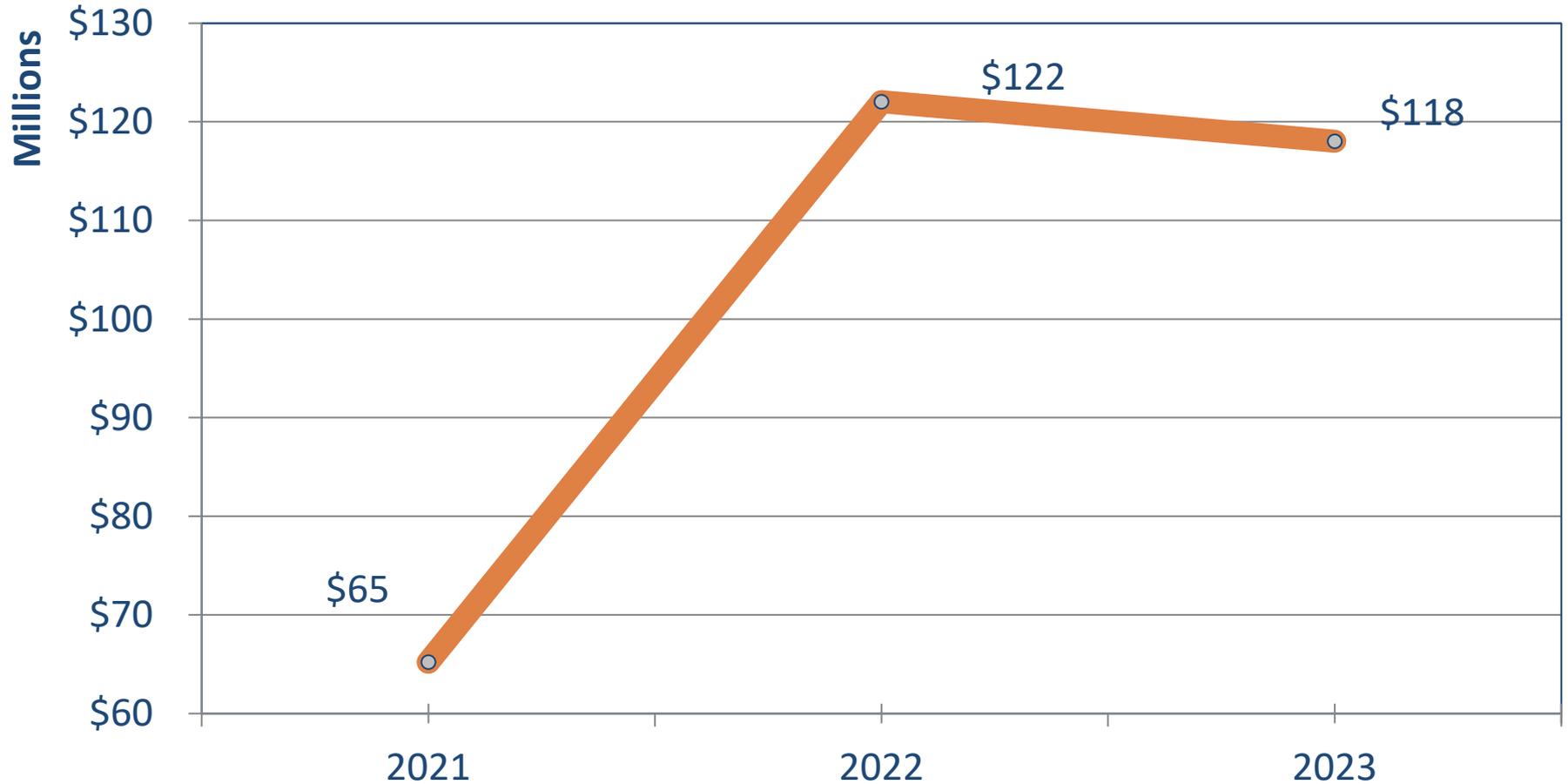
# Government-Wide Financial Statements

## Net Position



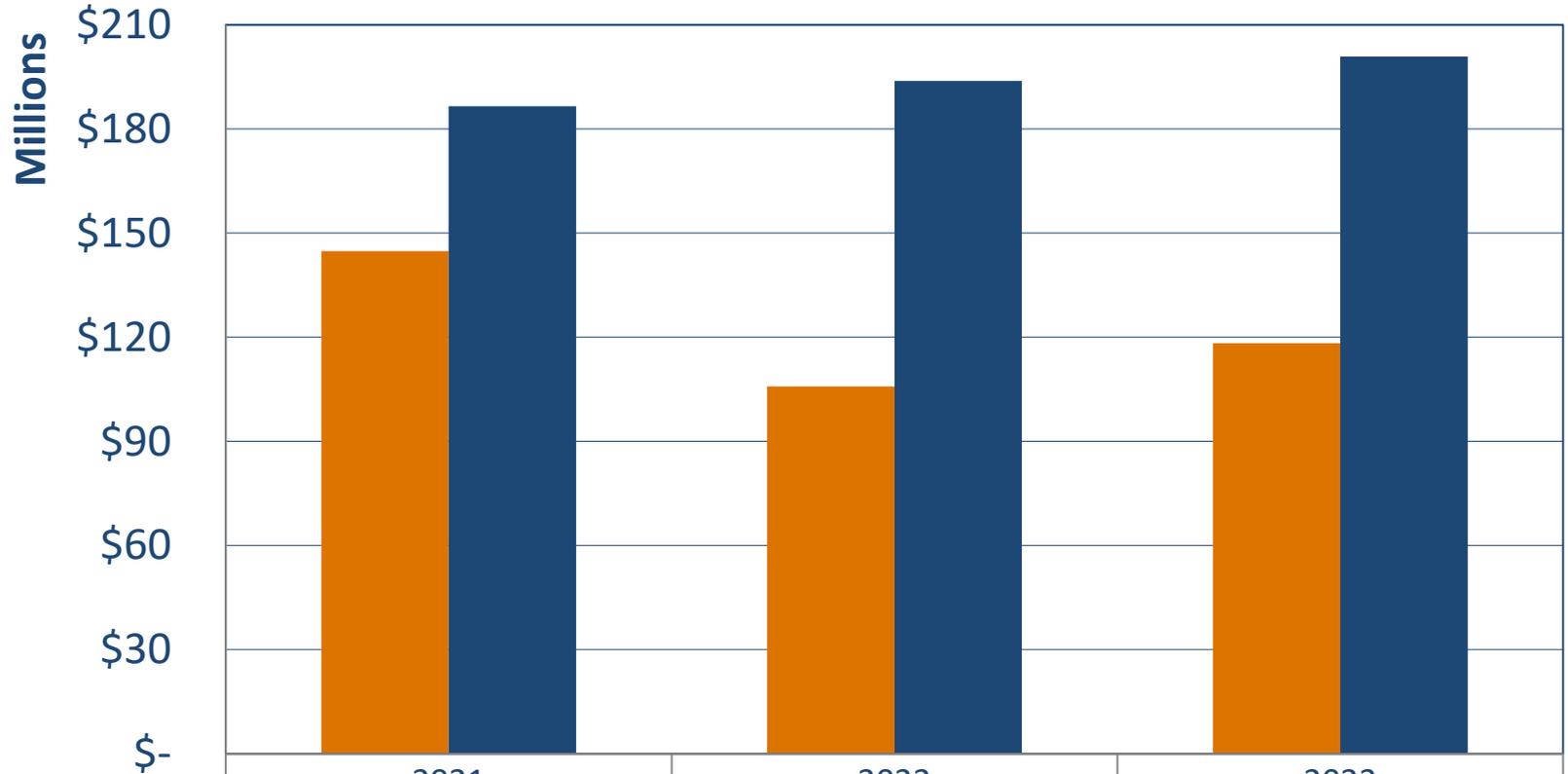
# Government-Wide Financial Statements

## Changes in Net Position



# Government-Wide Financial Statements

## Net Cost of Service to Tax Revenue



	2021	2022	2023
Net Cost of Service	\$144,815,928	\$105,838,829	\$118,272,590
Tax Revenue	\$186,596,334	\$193,864,015	\$200,930,805

# General Fund

## Expenditure Coverage

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Committed Fund Balance	\$ 9,800,000	\$ 3,383,453	\$ 3,720,697
Assigned Fund Balance	2,436,475	6,397,688	9,530,225
Unassigned Fund Balance	<u>22,477,829</u>	<u>44,935,389</u>	<u>55,196,962</u>
Total Unrestricted Fund Balance	<u>\$ 34,714,304</u>	<u>\$ 54,716,530</u>	<u>\$ 68,447,884</u>
Total Expenditures	<u>\$ 161,619,763</u>	<u>167,927,396</u>	<u>180,085,786</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>21.48%</u>	<u>32.58%</u>	<u>38.01%</u>
Number of months	3	4	5

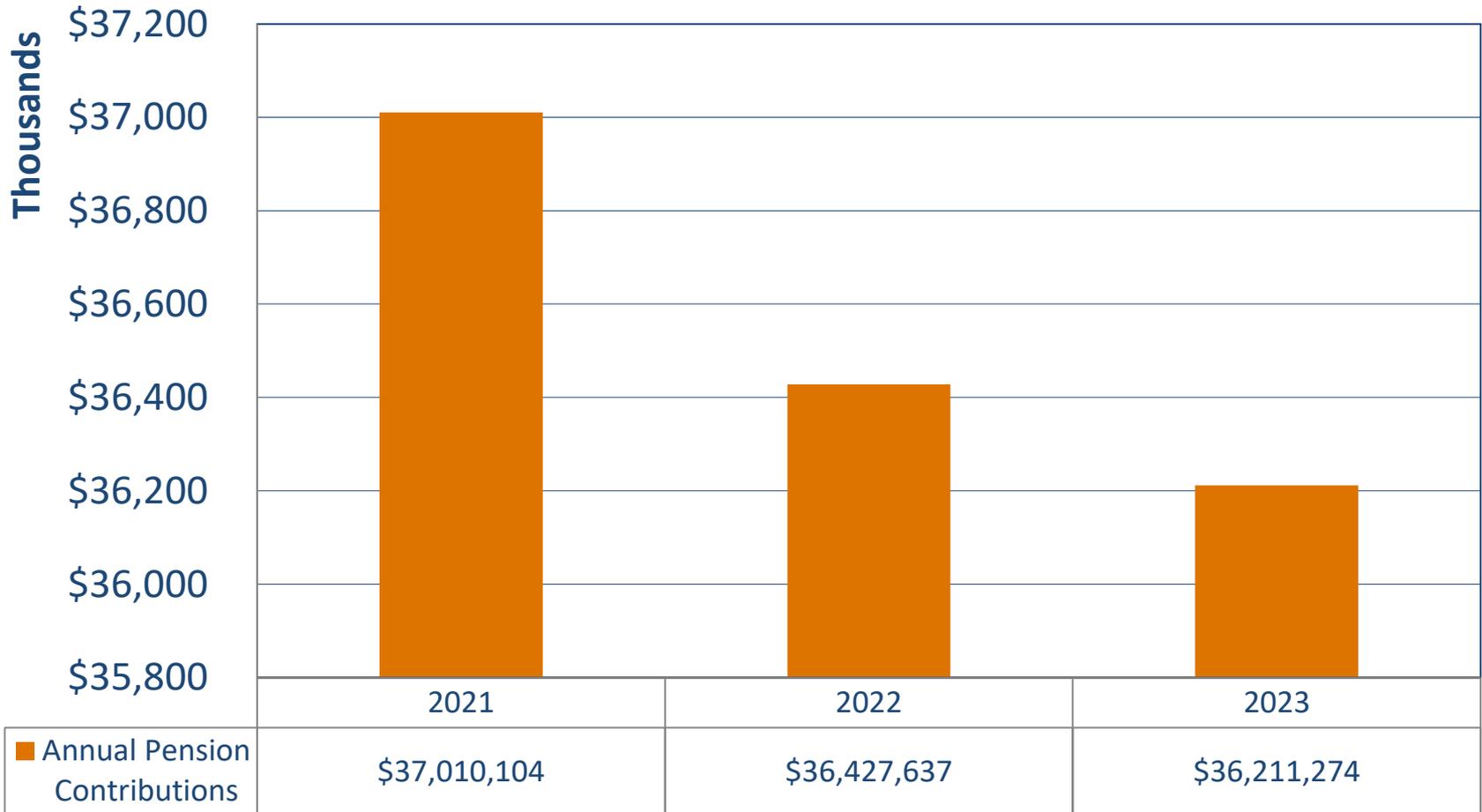
GFOA recommendation

No less than 2 months

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

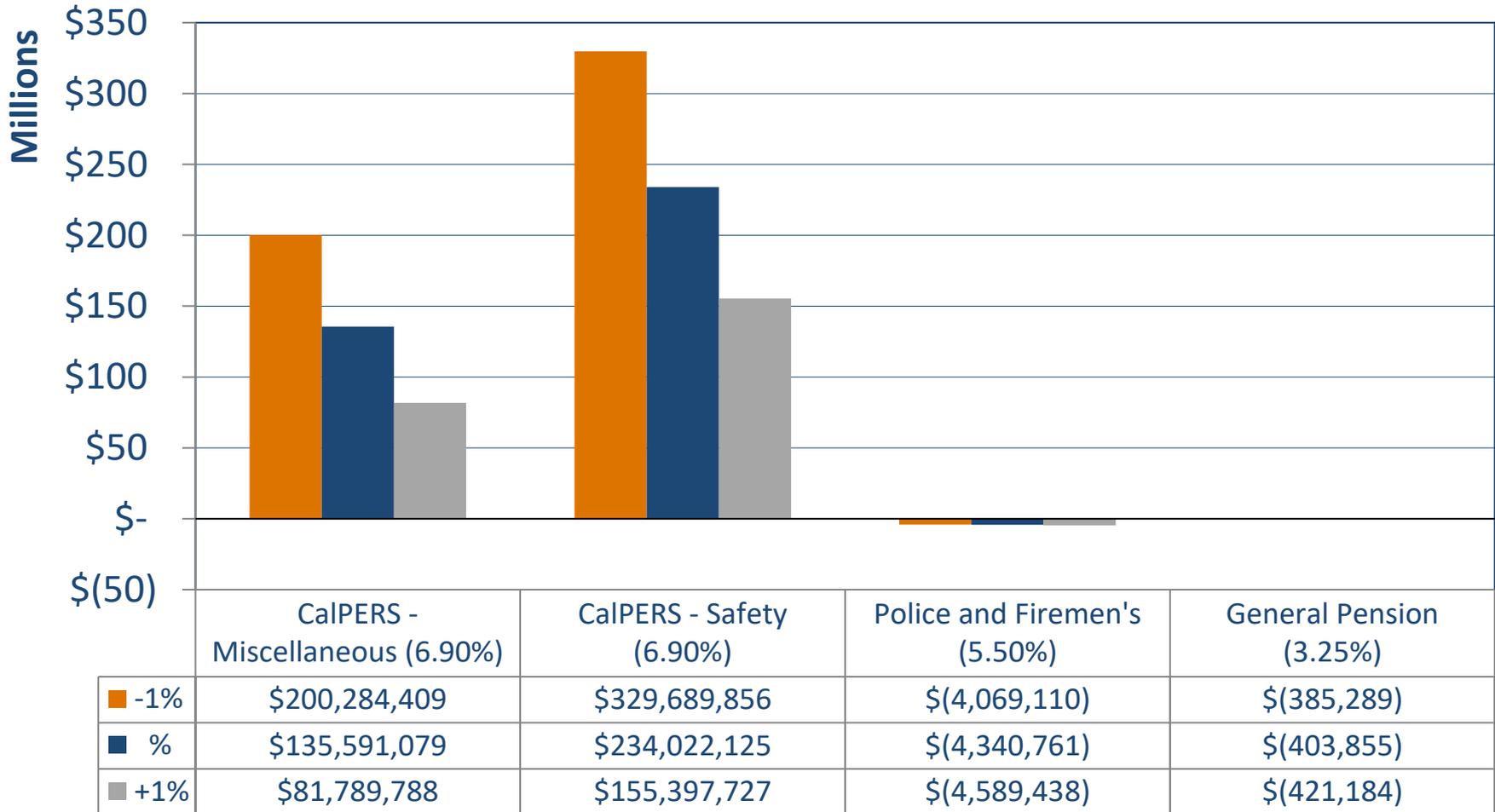
# Pension Plan

## City's Annual Pension Contributions



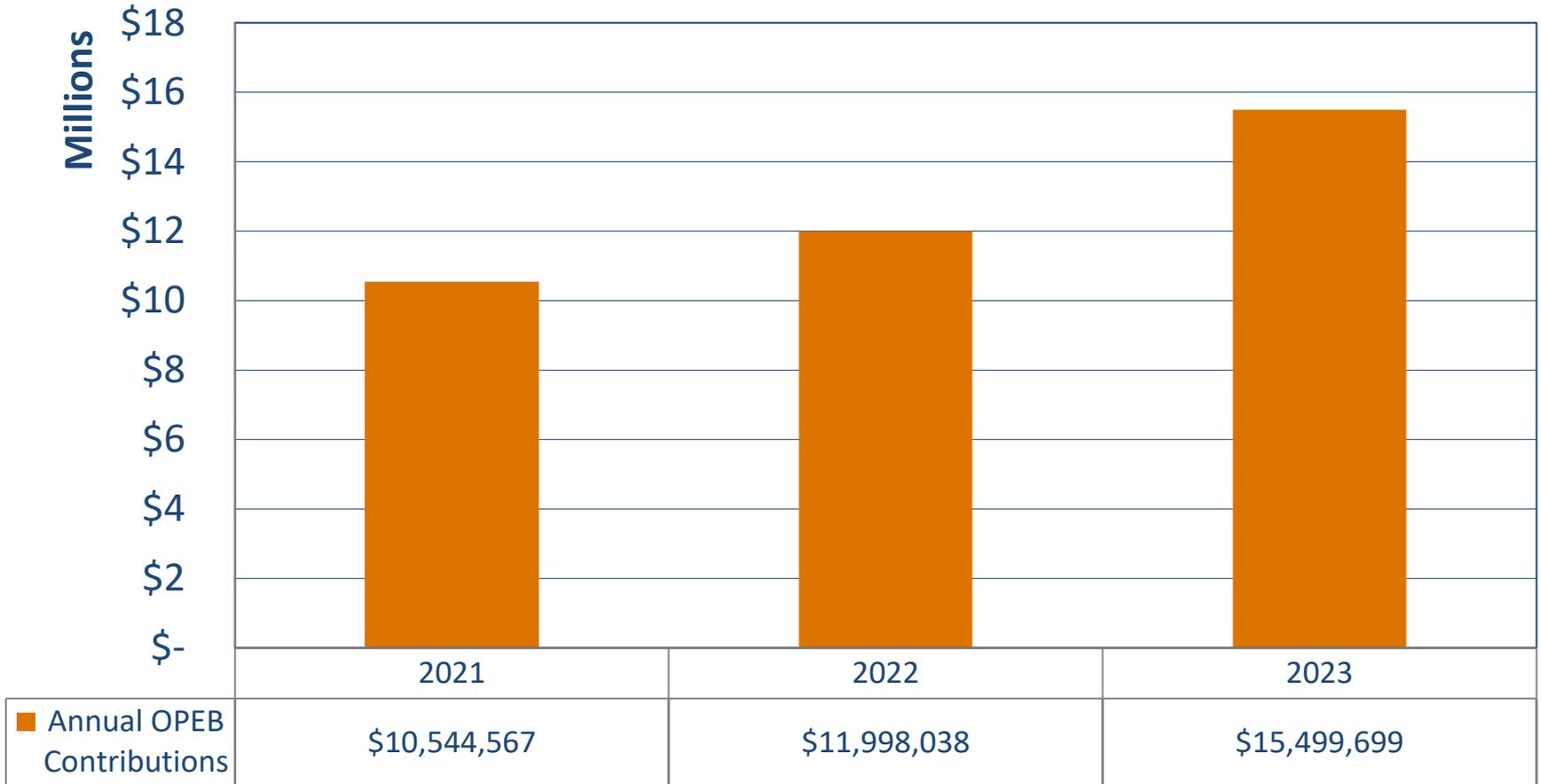
# Pension Plan

## City's Pension Plans Sensitivity to Discount Rate



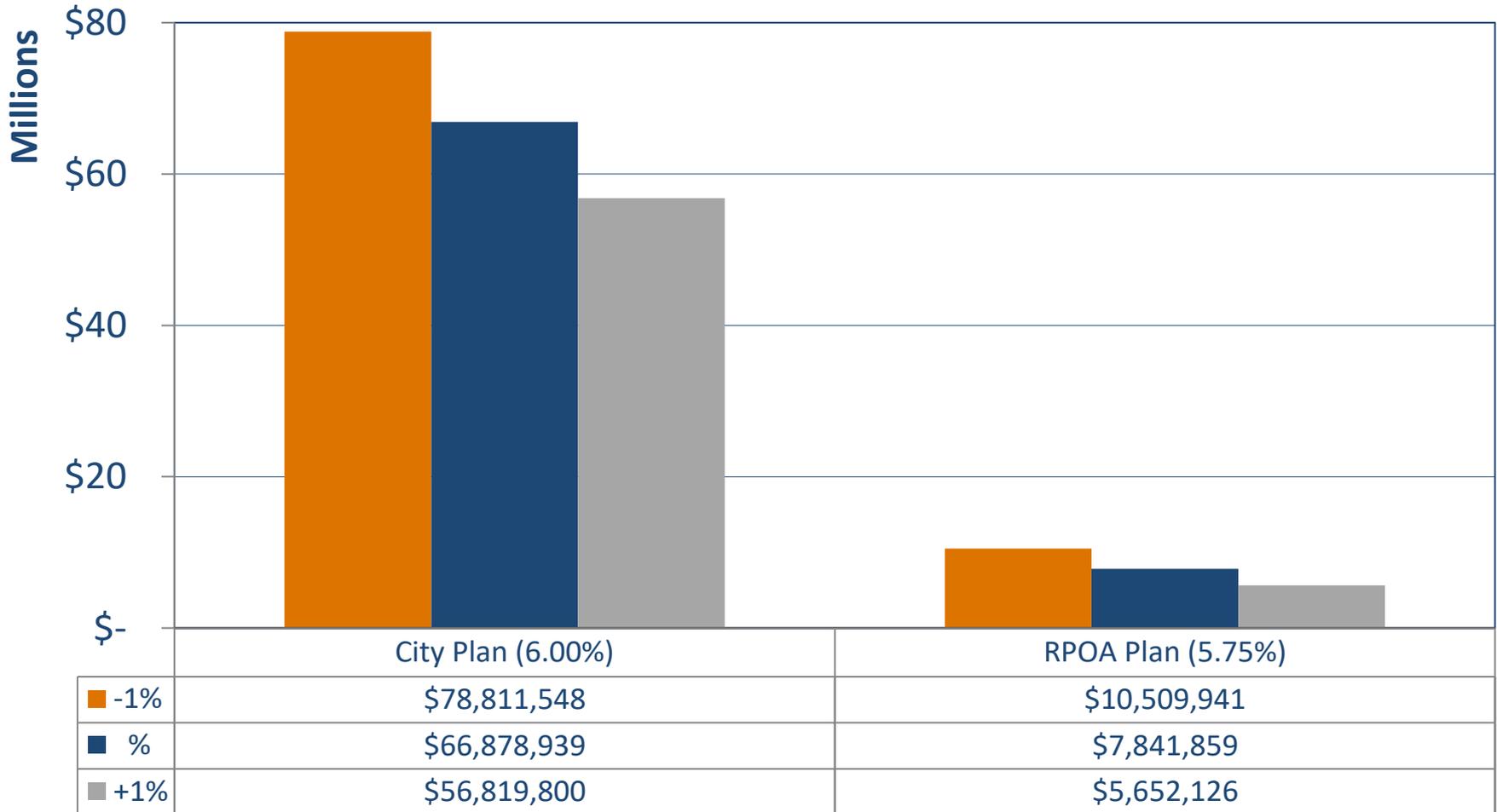
# Other Postemployment Benefits

## City's Annual OPEB Contributions



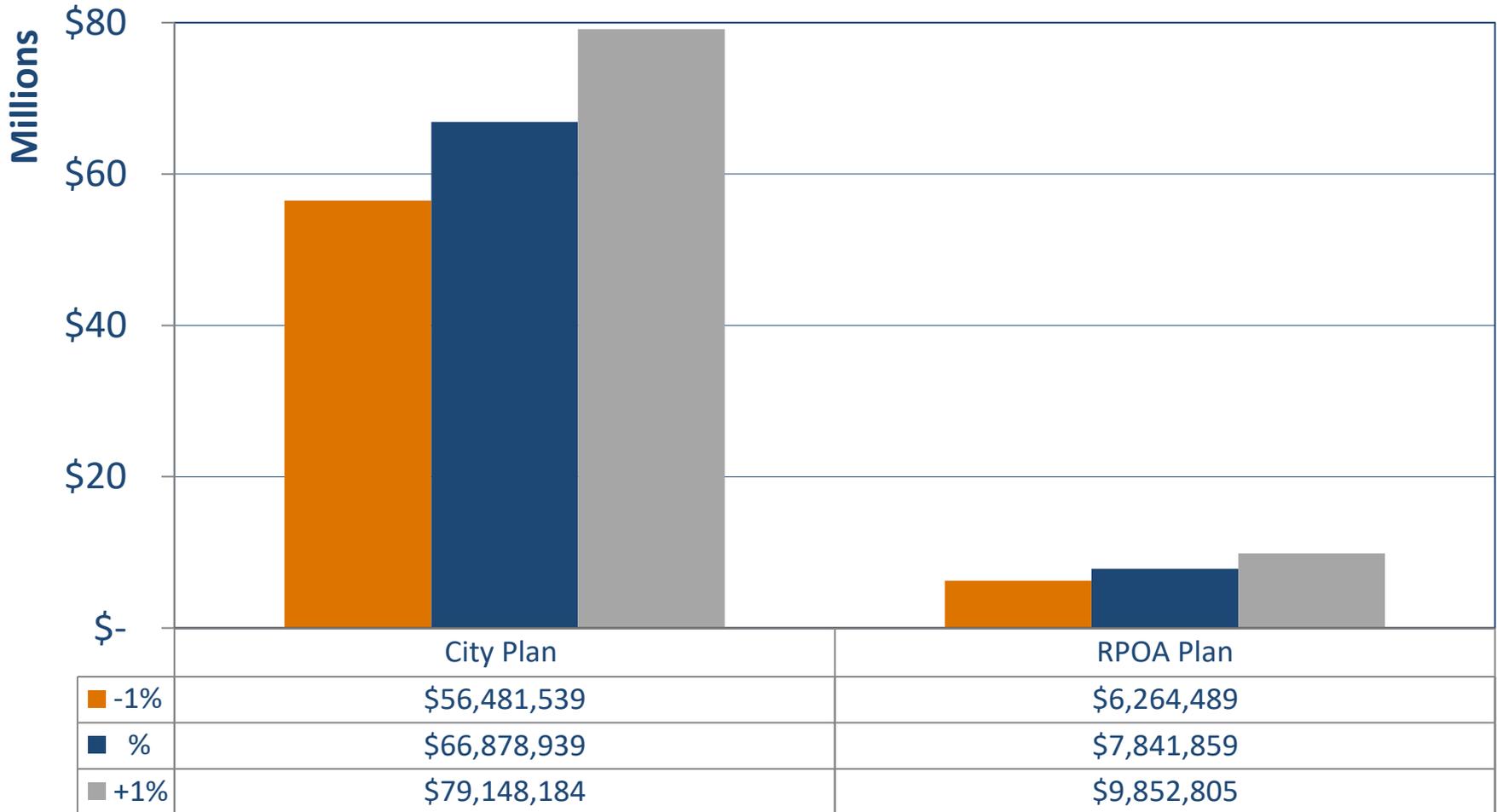
# OPEB Plans

## 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. 91
- GASB Statement No. 94
- GASB Statement No. 96

# 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
- Long-Term Debt
- Net Position/Fund Balances
- Pension Plans
- OPEB Plans
- Commitments and Contingencies

# 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



- Delays in PAF submission and approvals
- No documentation of the review of AIMS monthly claims bills payments.
- Lack of written policies and procedures to enforce the review of the vendor information update

# 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

2024

- GASB Statement No. 100 – Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62

2025

- GASB Statement No. 101 – Compensated Absences
- GASB Statement No. 102 – Certain Risk Disclosures

# Questions



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

