



**BADAWI & ASSOCIATES**  
Certified Public Accountants

# City of Richmond

## Presentation to the City Council

February 4, 2025



**2024 Audit of  
City of Richmond**



# Agenda

- Our Firm and the Engagement Team
- Deliverables and Scope of the Audit
- Audit Methodology
- Areas of Primary Audit Risk
- Auditor's Report and Financial Statements
- Required Communications
- New Accounting Standards



# Our Firm and the Engagement Team



# Our Firm – By the Numbers

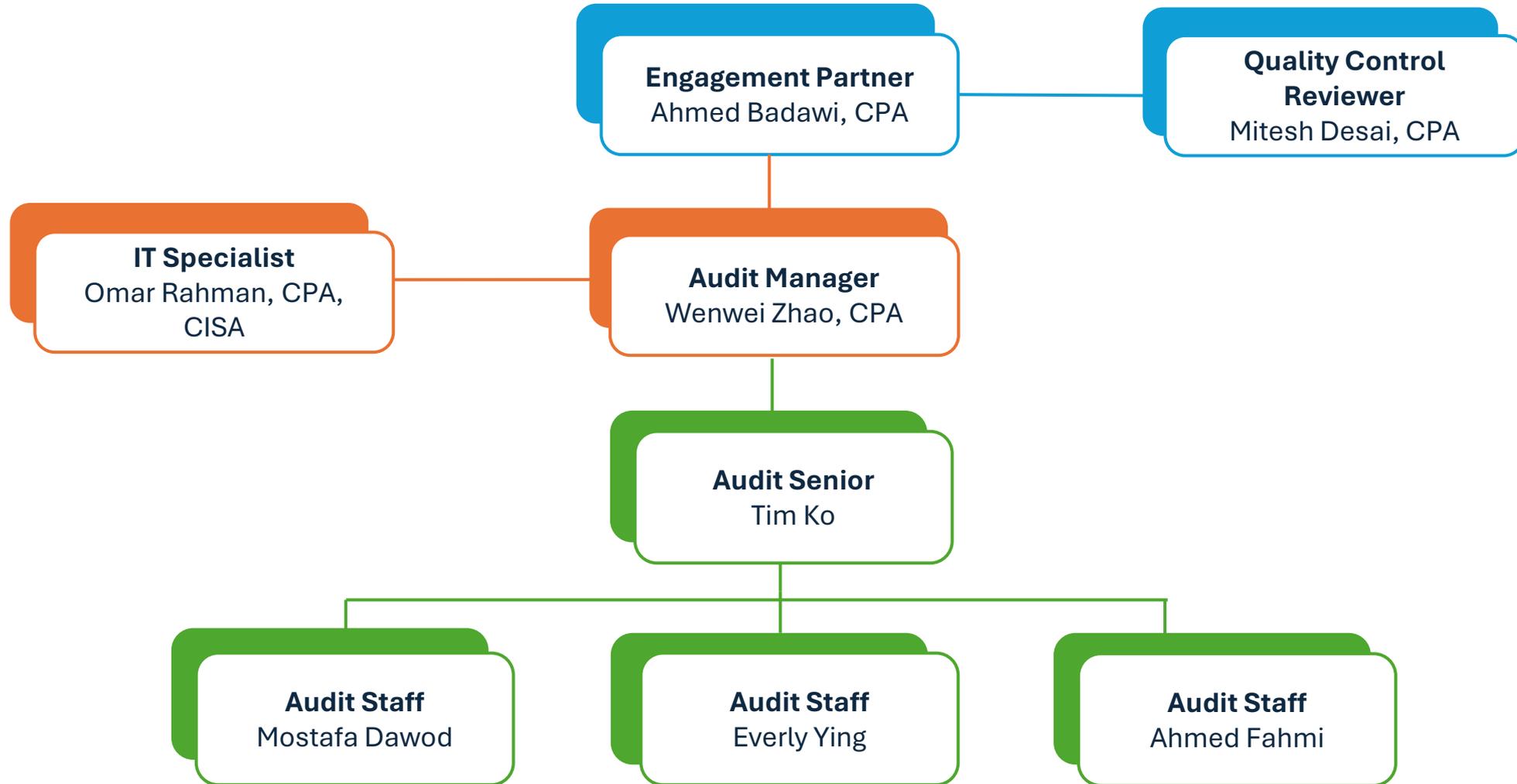




# Engagement Team



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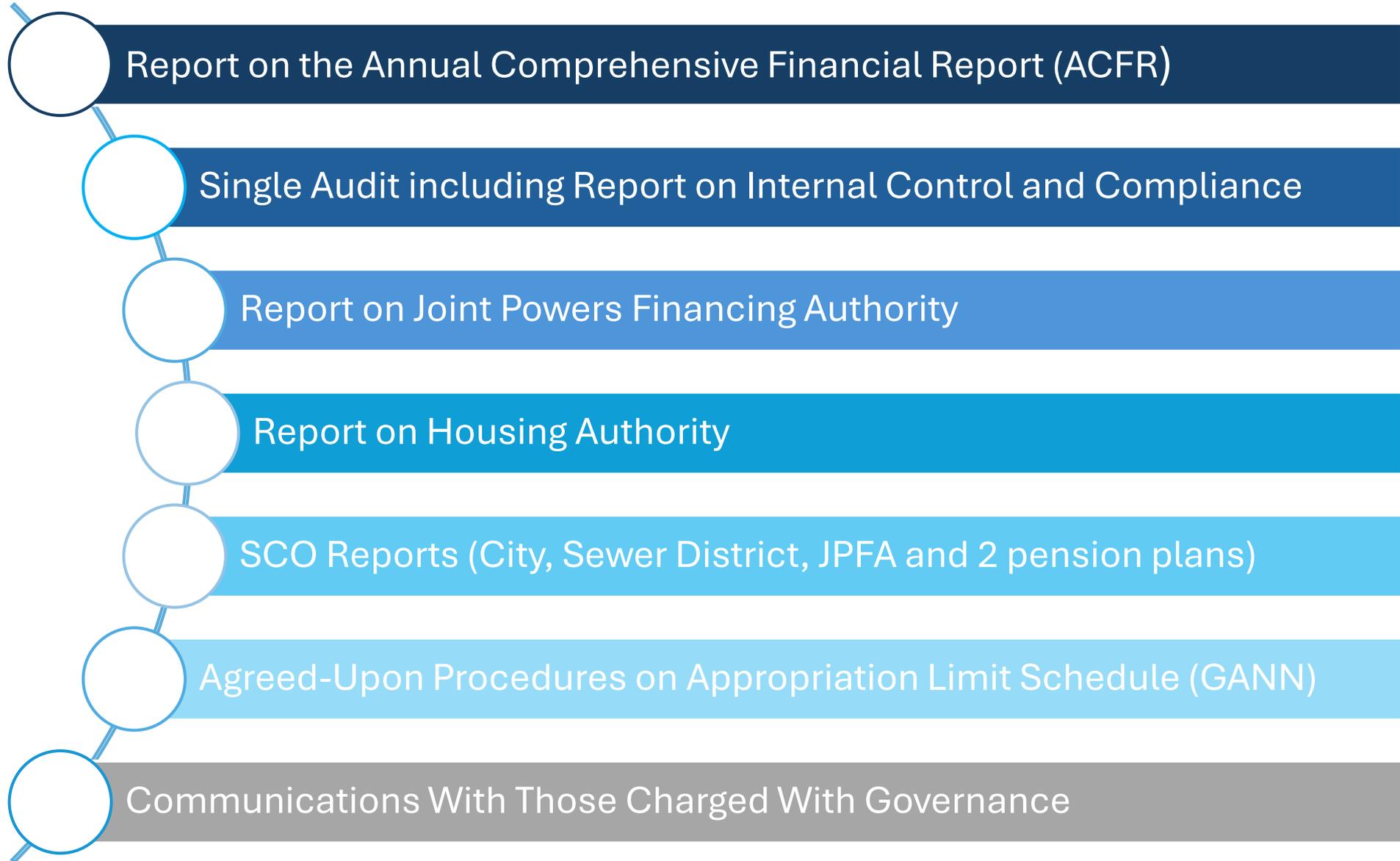




# Deliverables and Scope of the Audit



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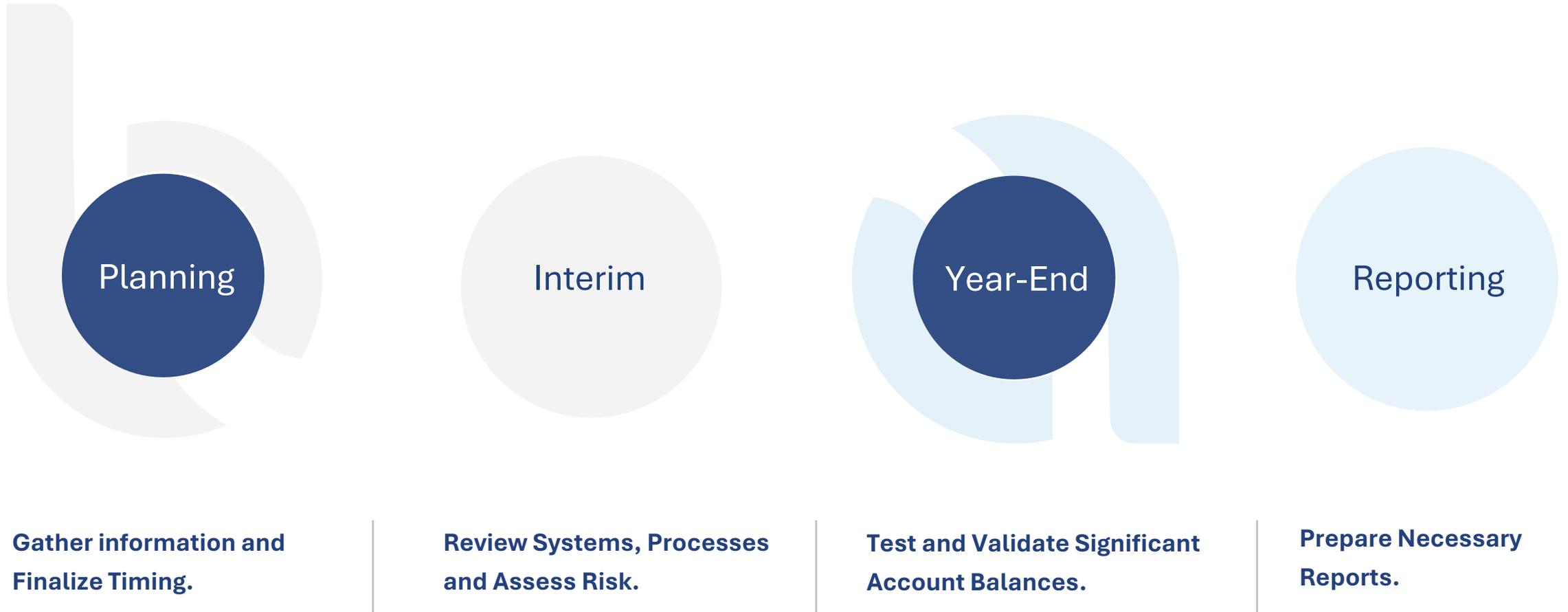




# Audit Methodology



# Audit Methodology





# Areas of Primary Audit Risk



# Areas of Primary Audit Risk

Risk of Management Override of Controls – The risk of management override of controls was addressed by the following procedures:

- Assignment of 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.

# Areas of Primary Audit Risk

## Revenue and Receivables (Taxes, Grants, Notes, etc.) – Improper Revenue Recognitions:

- Governmental Funds: Confirmed and validated property taxes, sales taxes, and other significant revenues and receivables.
- Proprietary Funds: Performed substantive analytical procedures and performed testing on material operating revenue and grant revenue items by reviewing backup.

## Estimates – Review of Significant Accounting Estimates:

- Investment Fair Value Estimates
- Capital Asset Useful Lives
- Pension and OPEB related estimates
- Claim Liabilities Estimates



# Auditor's Report and Financial Statements



# Auditor's Report

## Auditing Standards

- Audit performed in accordance with *Generally Accepted Auditing Standards*
- Audit performed in accordance with *Government Auditing Standards*

## Unmodified Opinions

- 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

## Disclaimer Opinions

- Business-Type Activities, Aggregate Discretely Presented Component Units (RHA Properties, RHA Housing Corporation, and RHA RAD LLC), and Richmond Housing Authority Enterprise Fund for which we disclaimed the opinions.
- The financial statements of the Richmond Housing Authority and RHA Properties, RHA Housing Corporation and RHA RAD LLC have not been audited for the year ended June 30, 2024.

# Status of RHA Audits

## 2020 Audit In Progress

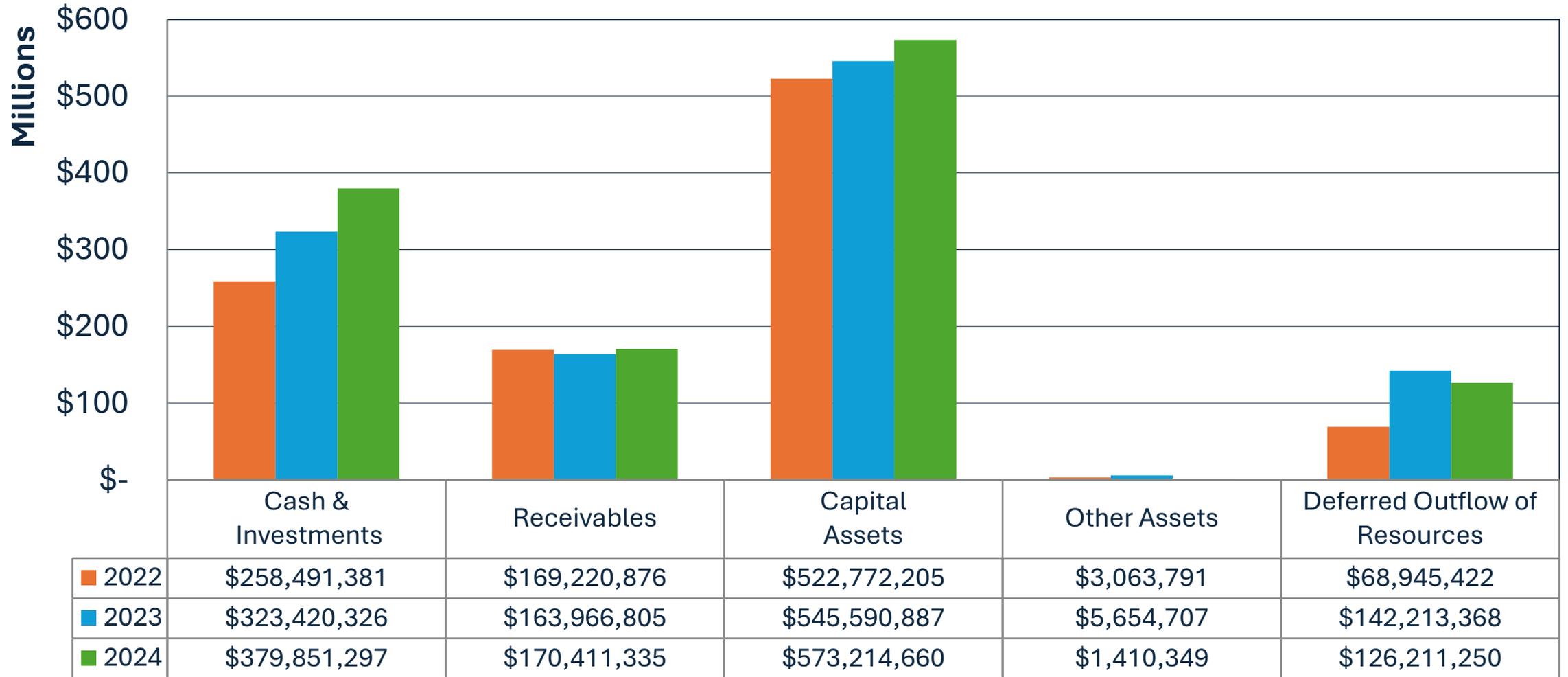
- City is writing off old account balances that can't be supported
- City is working on the bank reconciliations
- Weekly status meetings with the City
- Disclaimer of opinion is expected

## RHA Audits Timeline

- 2021 audit complete by May 2025 (FDS complete June/July 2025)
- 2022 audit complete by August 2025 (FDS complete September/October 2025)
- 2023 audit complete by November 2025 (FDS complete December/January 2026)
- 2024 audit complete by February 2026 (FDS complete March/April 2026)
- 2025 audit complete by May 2026 (FDS complete June/July 2026)
- 2026 audit complete by October 2026 (FDS complete December 2026) \*on schedule with citywide audit

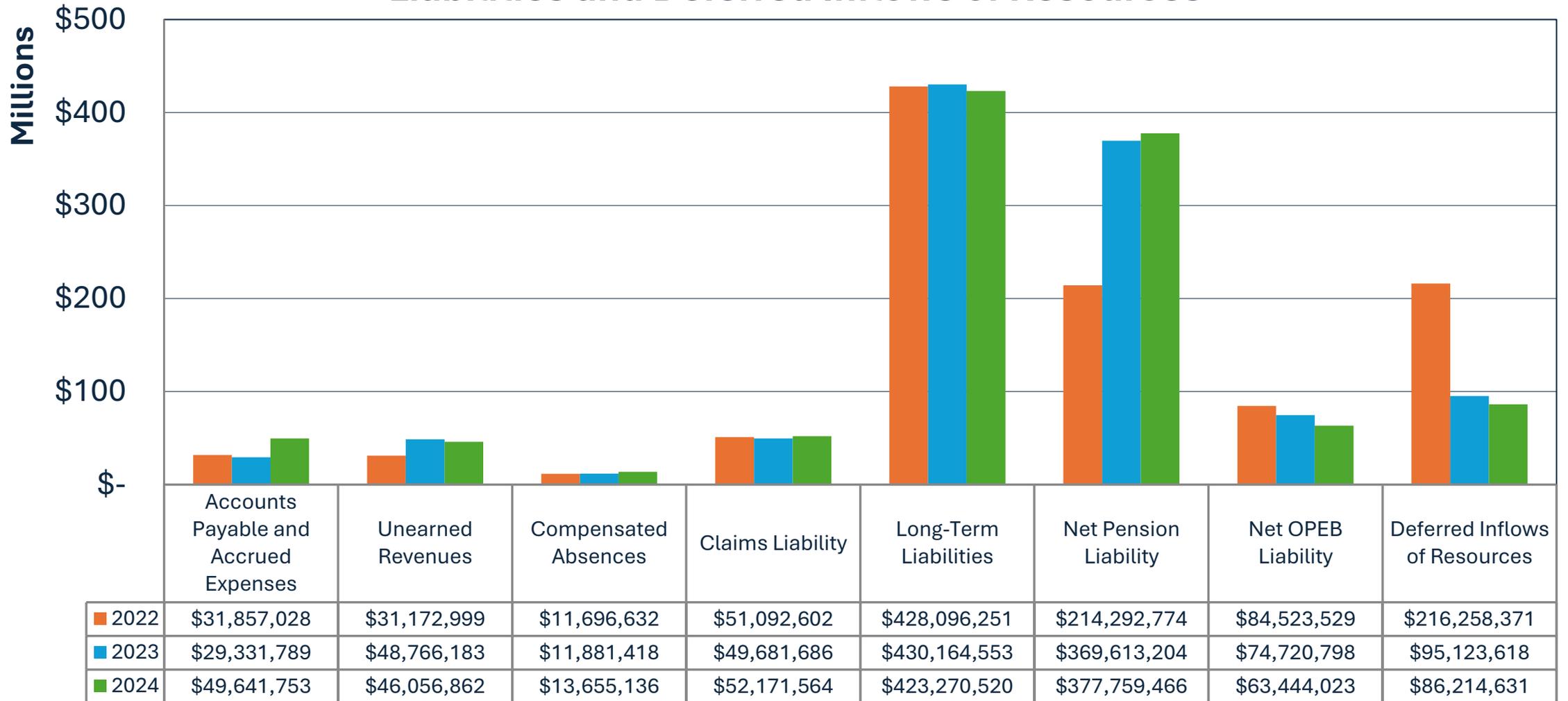
# Government-Wide Financial Statements

## Assets and Deferred Outflows of Resources



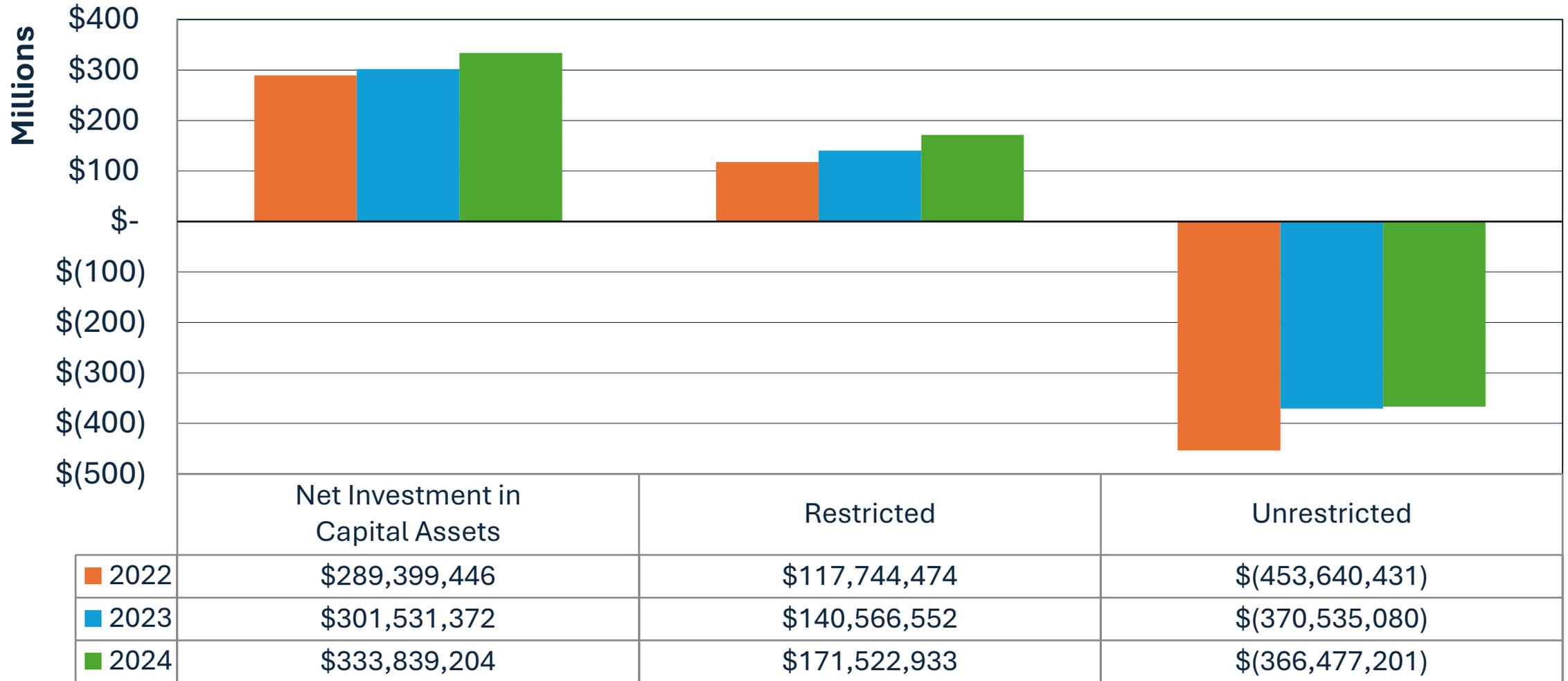
# Government-Wide Financial Statements

## Liabilities and Deferred Inflows of Resources



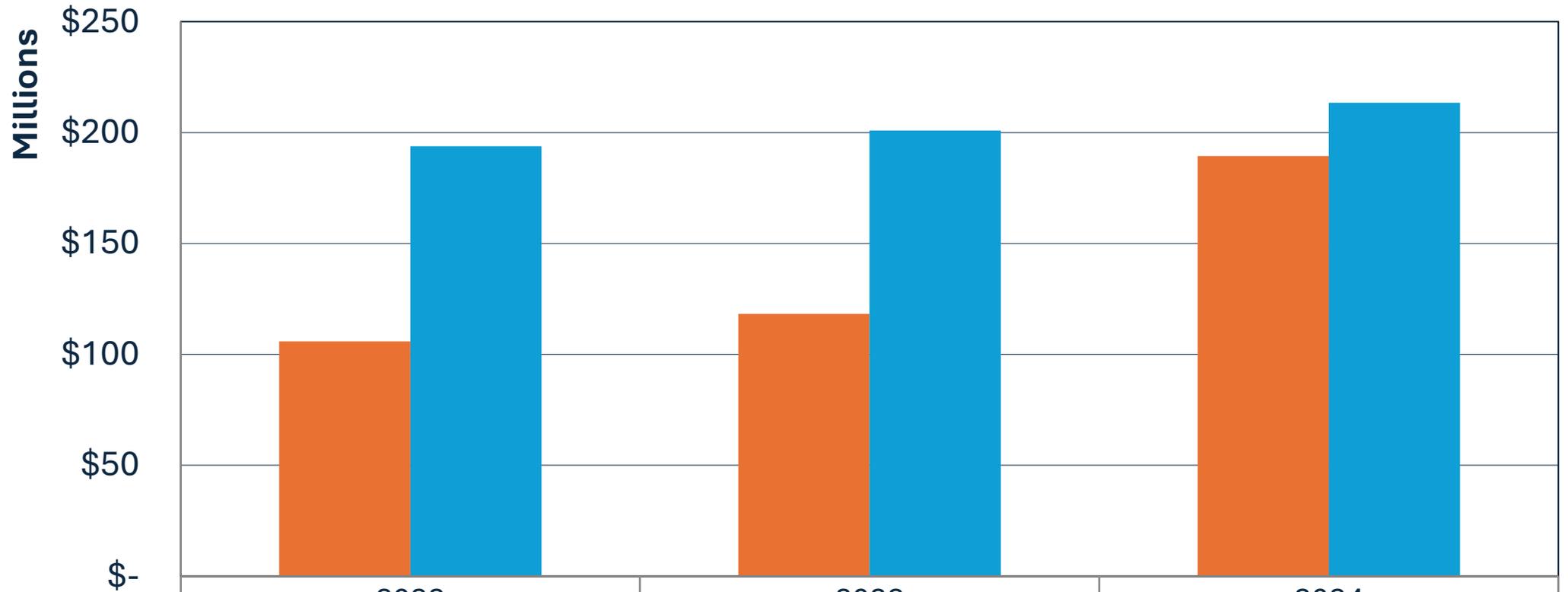
# Government-Wide Financial Statements

## Net Position



# Government-Wide Financial Statements

## Net Cost of Service to Tax Revenue - Governmental Activities



	2022	2023	2024
Net Cost of Service	\$105,838,829	\$118,272,590	\$189,406,431
Tax Revenue	\$193,864,015	\$200,930,805	\$213,450,483

# General Fund

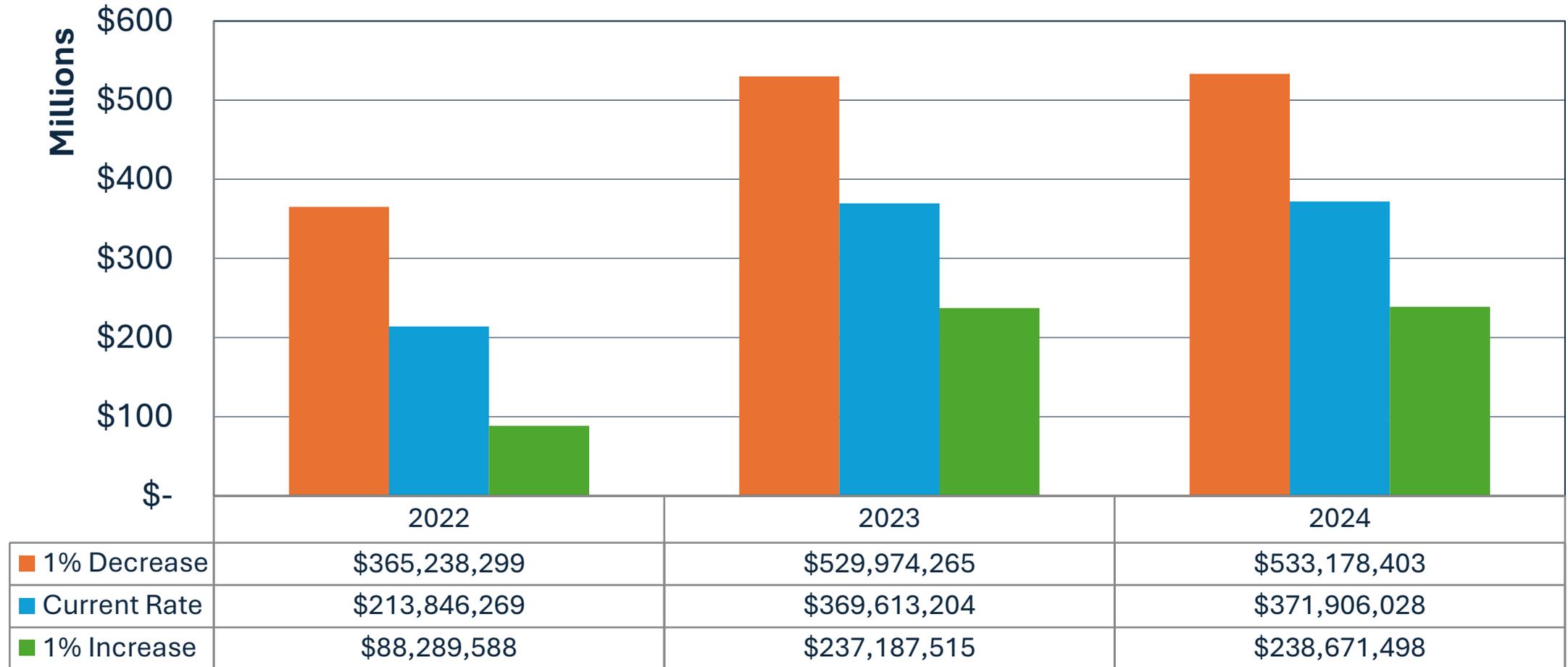
## Expenditure Coverage

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Committed Fund Balance	\$ 3,383,453	\$ 3,720,697	\$ 3,748,566
Assigned Fund Balance	6,397,688	9,530,225	6,106,044
Unassigned Fund Balance	<u>44,935,389</u>	<u>55,196,962</u>	<u>65,262,325</u>
Total Unrestricted Fund Balance	<u>\$ 54,716,530</u>	<u>\$ 68,447,884</u>	<u>\$ 75,116,935</u>
Total Expenditures	<u>\$ 167,927,396</u>	<u>\$ 180,085,786</u>	<u>\$ 198,640,109</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>32.58%</u>	<u>38.01%</u>	<u>37.82%</u>
Number of months	4	5	5
GFOA recommendation	No less than 2 months		

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

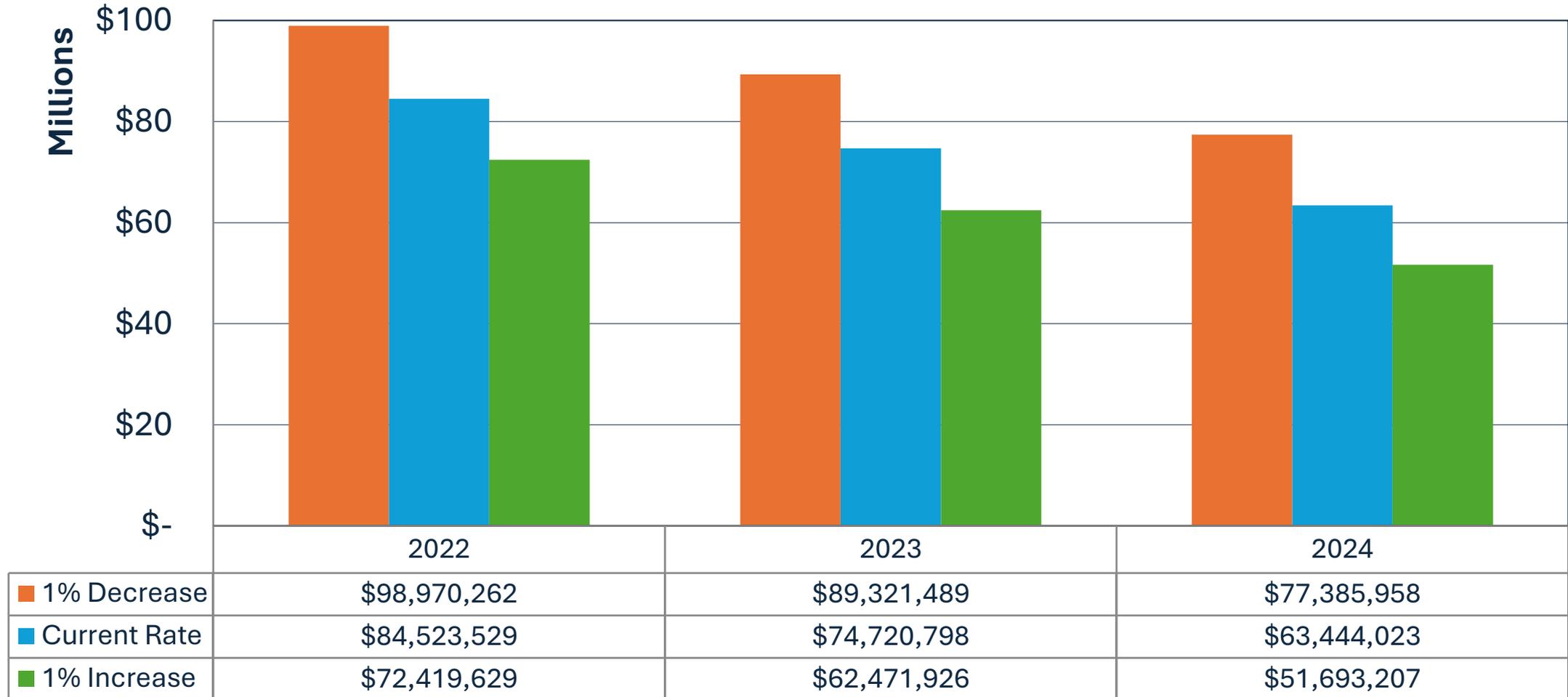
# Pension Plans

## Total Net Pension Liability Sensitivity to Discount Rate



# Other Postemployment Benefits Plans

**Total Net OPEB Liability  
Sensitivity to Discount Rate**





# Required Communications



# Required Communications

## Auditor's Responsibilities

Provide an 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, contracts, and grants.

Ensure financial statements are clear and transparent

Communicate with the governing body

## Management's Responsibilities

Take responsibility for the financial statements

Establish and maintain internal control over financial reporting

Make 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 maintained our independence by strict adherence to the AICPA and the Board of Accountancy rules and regulations
- Other than preparing the financial statements, no services performed that could affect our independence.

## Timing of the Audit

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

## Significant Accounting Policies and Unusual Transactions

- The City adopted the following new pronouncement during the year:
  - GASB Statement No. 100 – Accounting Changes and Error Corrections

# Required Communications

## Difficulties Encountered in Performing the Audit

- No difficulties encountered.

## Significant Audit Adjustments and Unadjusted Differences

- There were adjustments and reclassifying entries during the course of the audit. Management has posted all proposed audit adjustments.

## Deficiencies in Internal Control over Financial Reporting

- Significant deficiency for Delays in PAF Submission and Approvals

# New Accounting Standards

## 2025

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

## 2026

- GASB Statement No. 103 – Financial Reporting Model Improvements
- GASB Statement No. 104 – Disclosure of Certain Capital Assets



**Thank You for Allowing  
us to Provide Audit  
Services to the  
City of Richmond.**

