

City of Lindsay

Presentation to The City Council

February 23, 2021

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



Badawi & Associates
Audit of the
City of Lindsay

Agenda

Engagement Team

Deliverables and Scope of the Audit

Areas of Primary Emphasis

Auditor's Report and Financial Statements

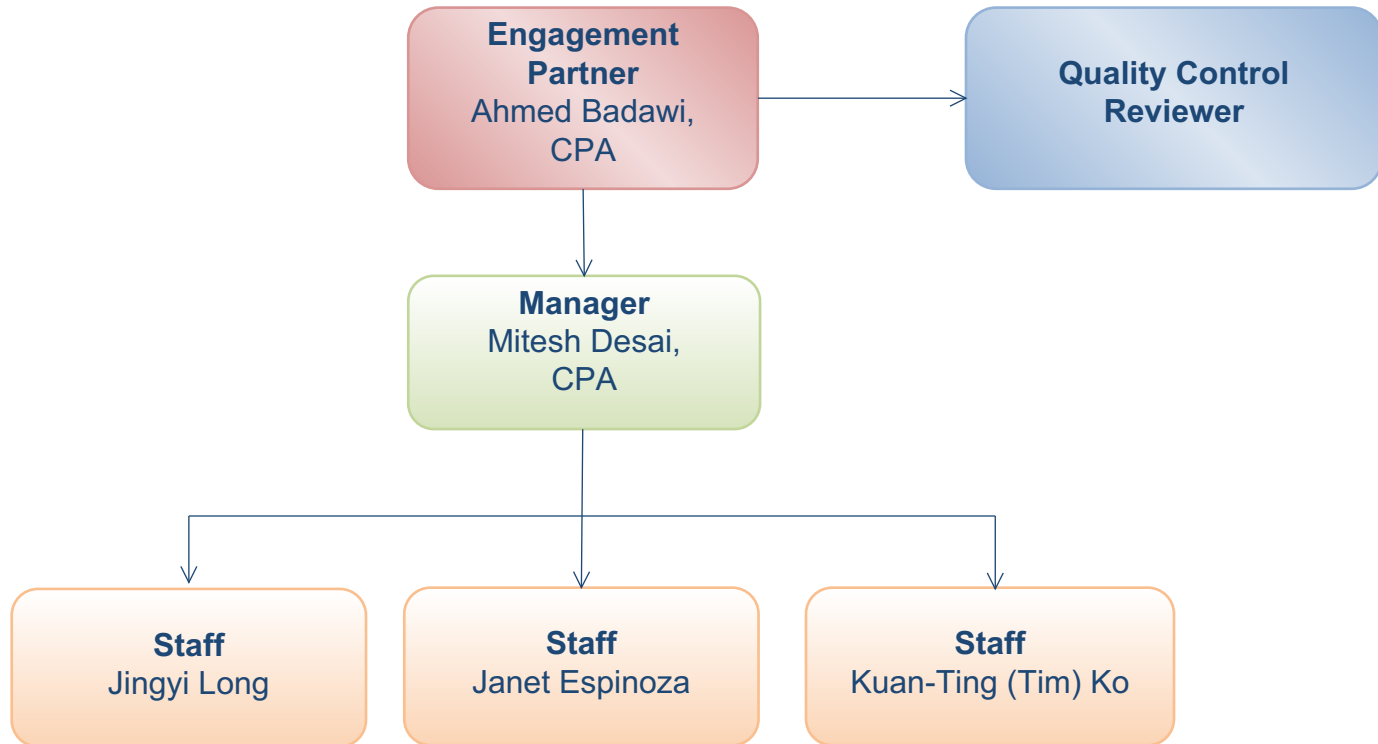
Required Communications

Conclusion & Discussion/Questions

Engagement Team



Engagement Team



Deliverables and Scope of the Audit

Independent Auditor's Report on City of Lindsay Basic Financial Statements (BFS)

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Agreed-Upon Procedures on Appropriation Limit Schedule

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 from period to period.

- 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: Perform analytical procedures on revenue, receivables, consumption

Pension and OPEB:

- Reviewed management's journal entries for GASB 68 and GASB 75

- Reconciled amounts recorded to reports provided by CalPERS and City's Actuary

- Tested the census data used by CalPERS and City's Actuary

- Obtained reports from CalPERS auditors plan information

COVID-19 Pandemic – Impact of Shelter-in-Place Order



Auditor's Report

Unmodified opinion with Non-compliance paragraph

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

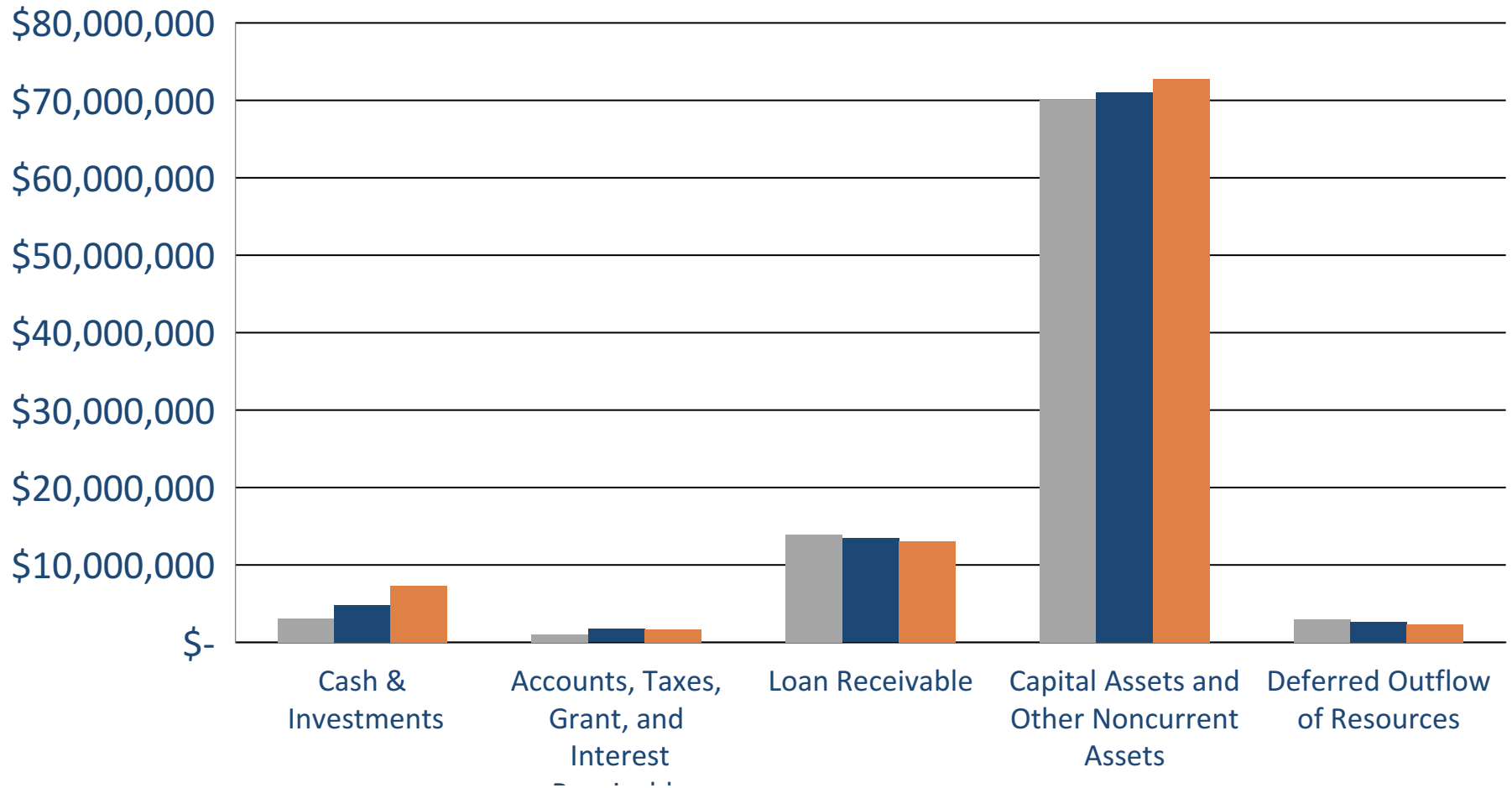
Estimates are reasonable

Disclosures are properly reflected in the financial statements



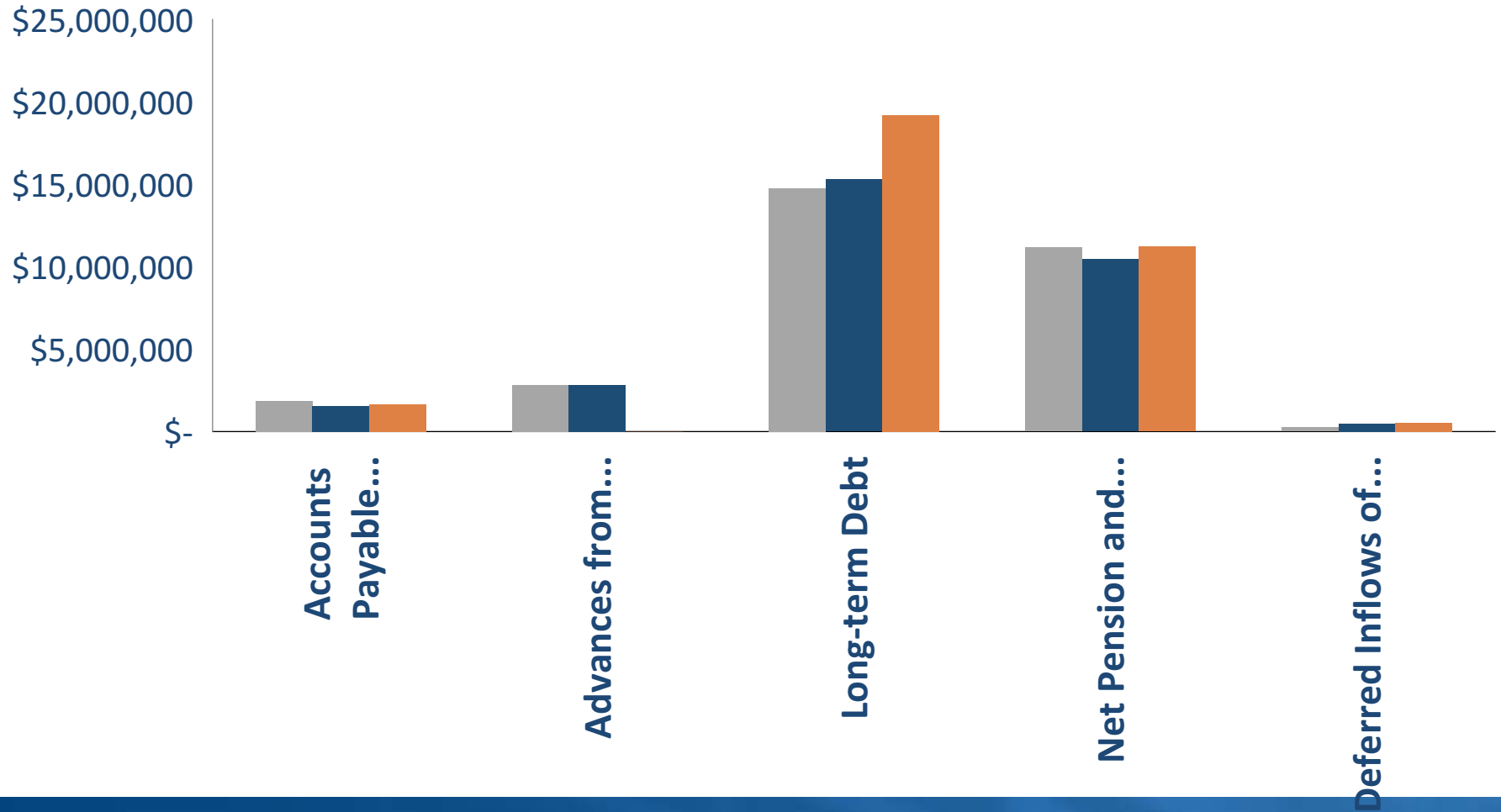
Government-Wide Financial Statements

Assets and Deferred Outflows of Resources



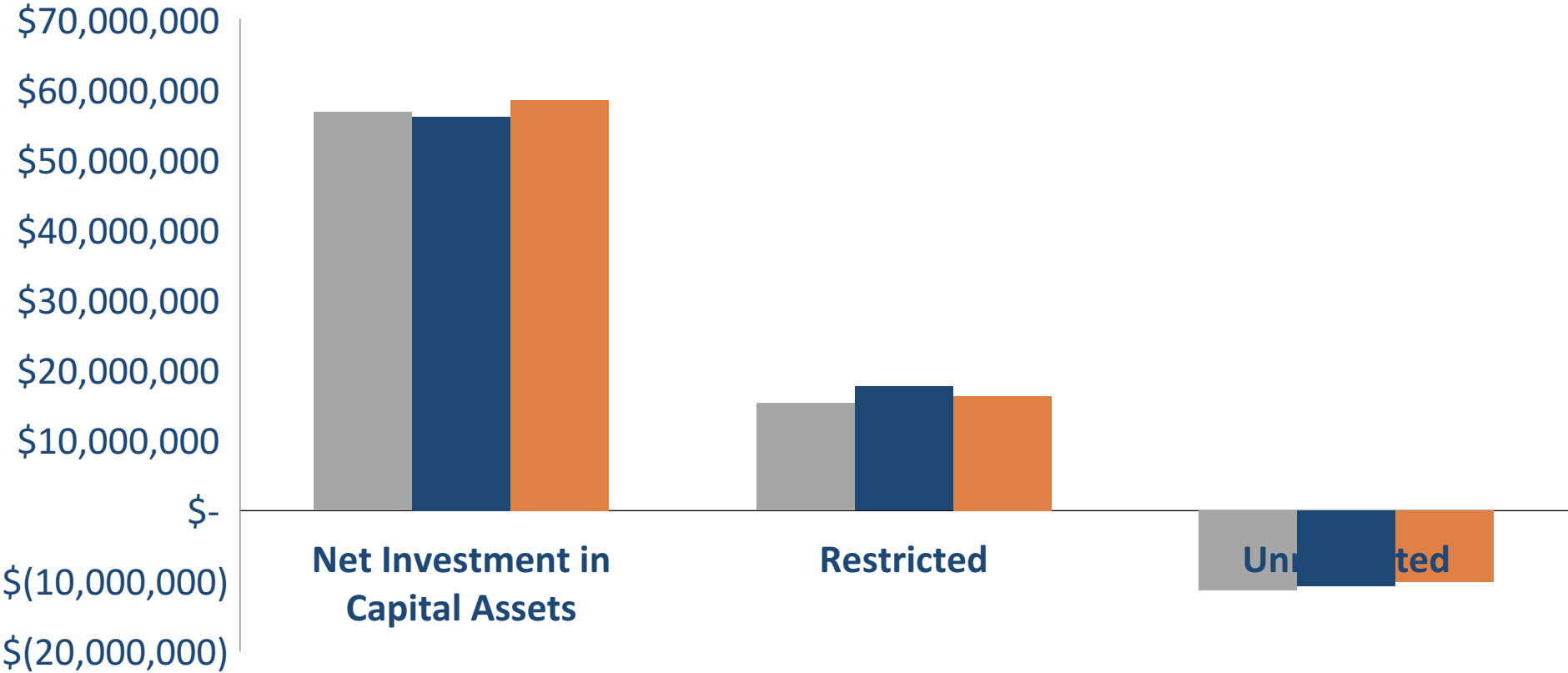
Government-Wide Financial Statements

Liabilities and Deferred Inflows of Resources



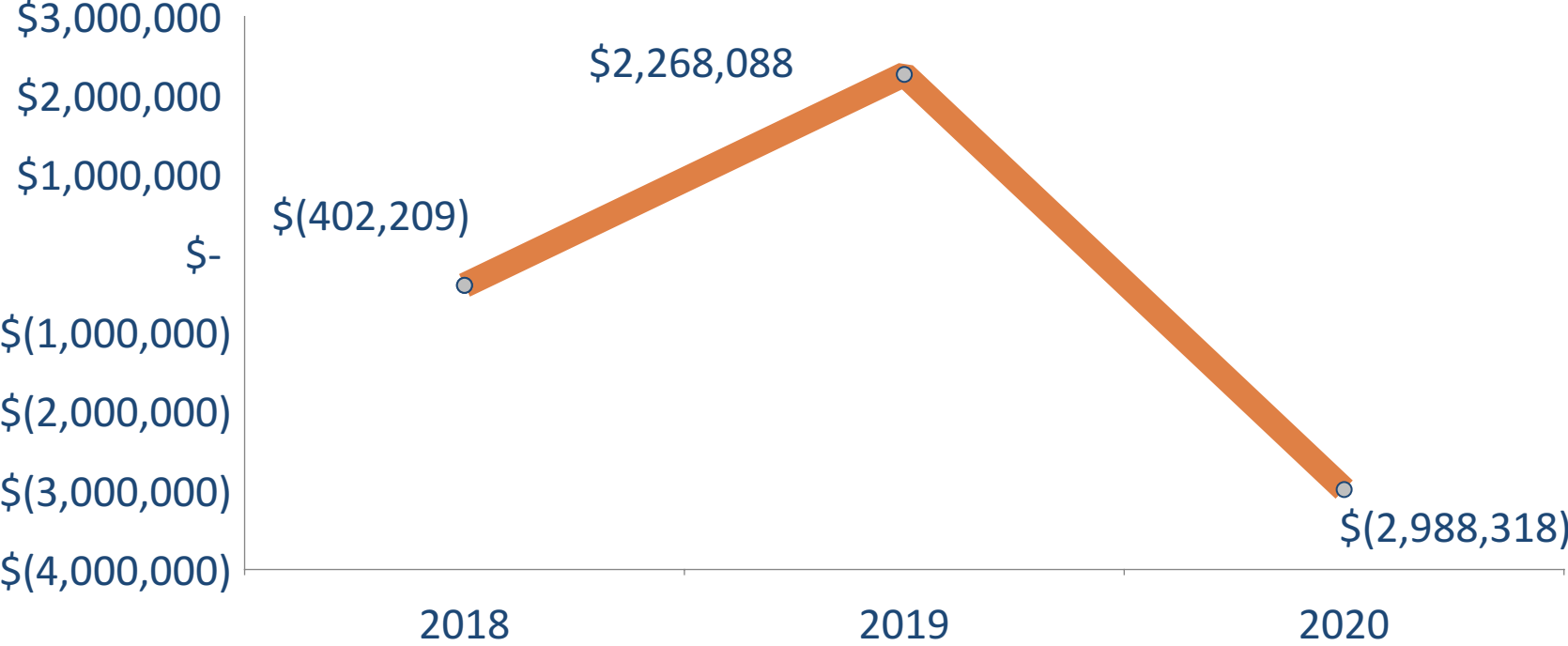
Government-Wide Financial Statements

Net Position



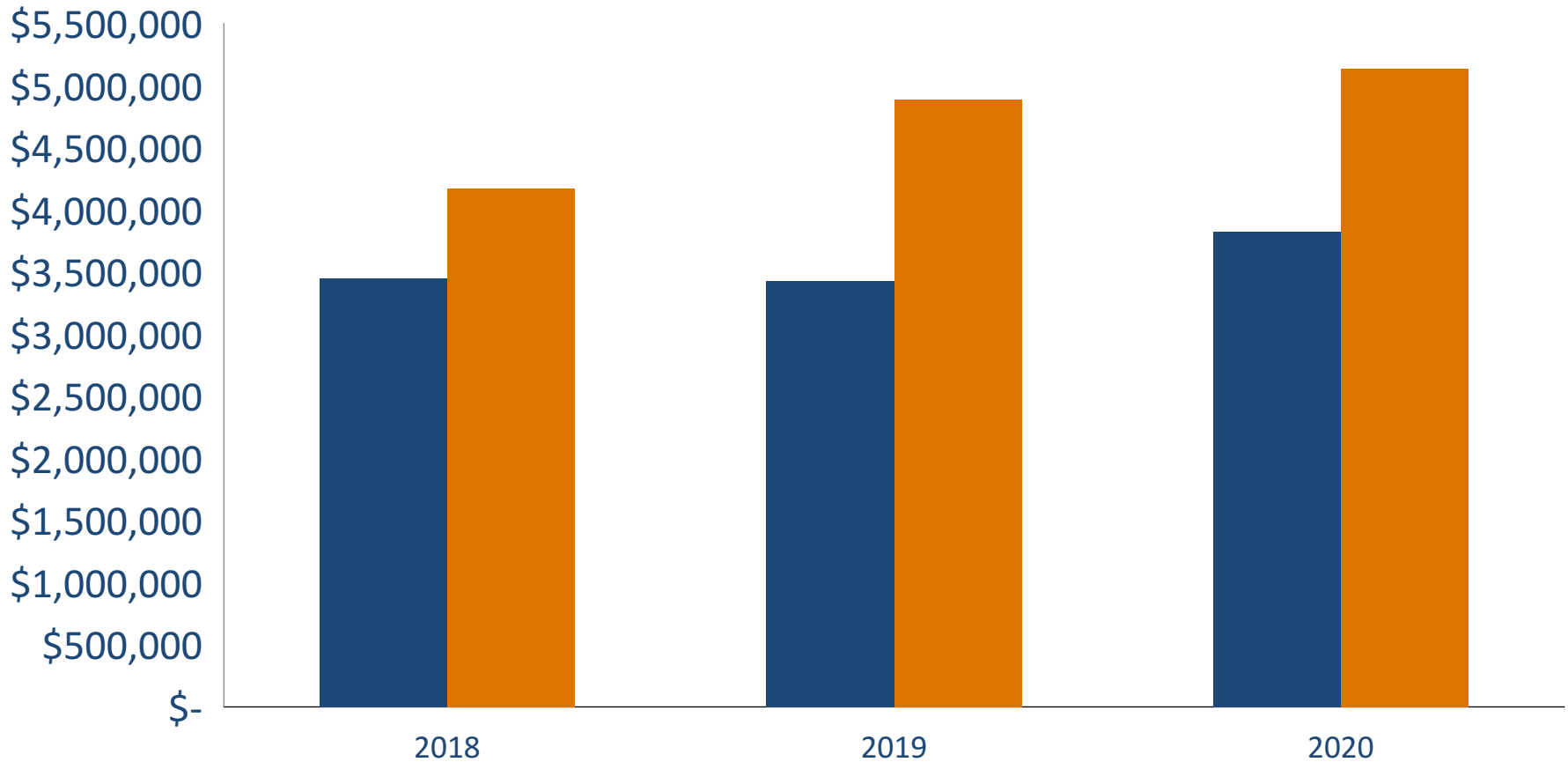
Government-Wide Financial Statements

Changes in Net Position



Government-Wide Financial Statements

Net Cost of Service to Tax Revenue (Governmental Activities)



General Fund

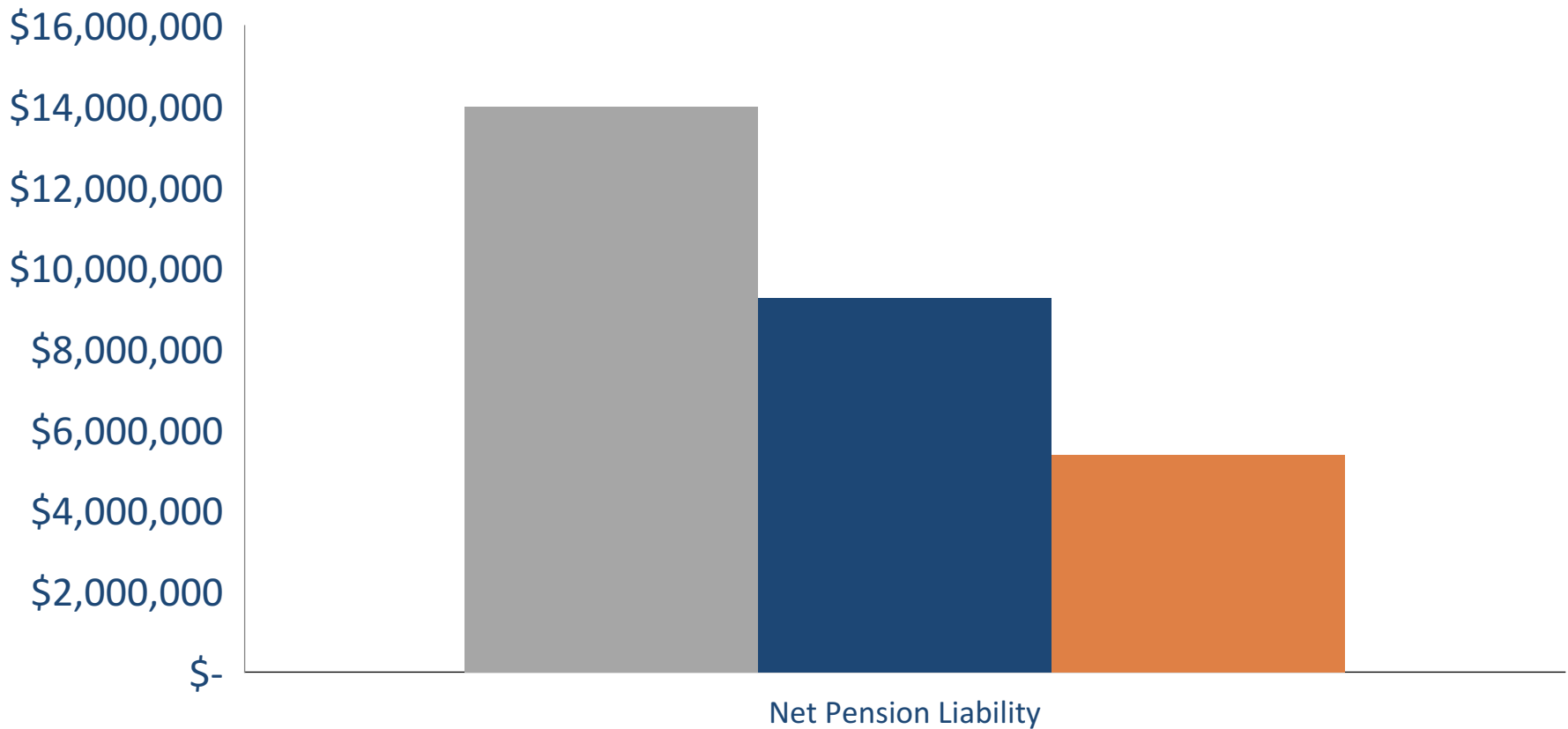
Expenditure Coverage

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Unrestricted Fund Balance	\$ (5,667,736)	\$ (4,171,326)	\$ 3,168,406
Total Expenditures	<u>\$ 4,888,200</u>	<u>\$ 7,443,559</u>	<u>\$ 7,072,696</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>-115.95%</u>	<u>-56.04%</u>	<u>44.80%</u>
Number of months	(13.91)	(6.72)	5.38
GFOA recommendation	No less than 2 months		

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

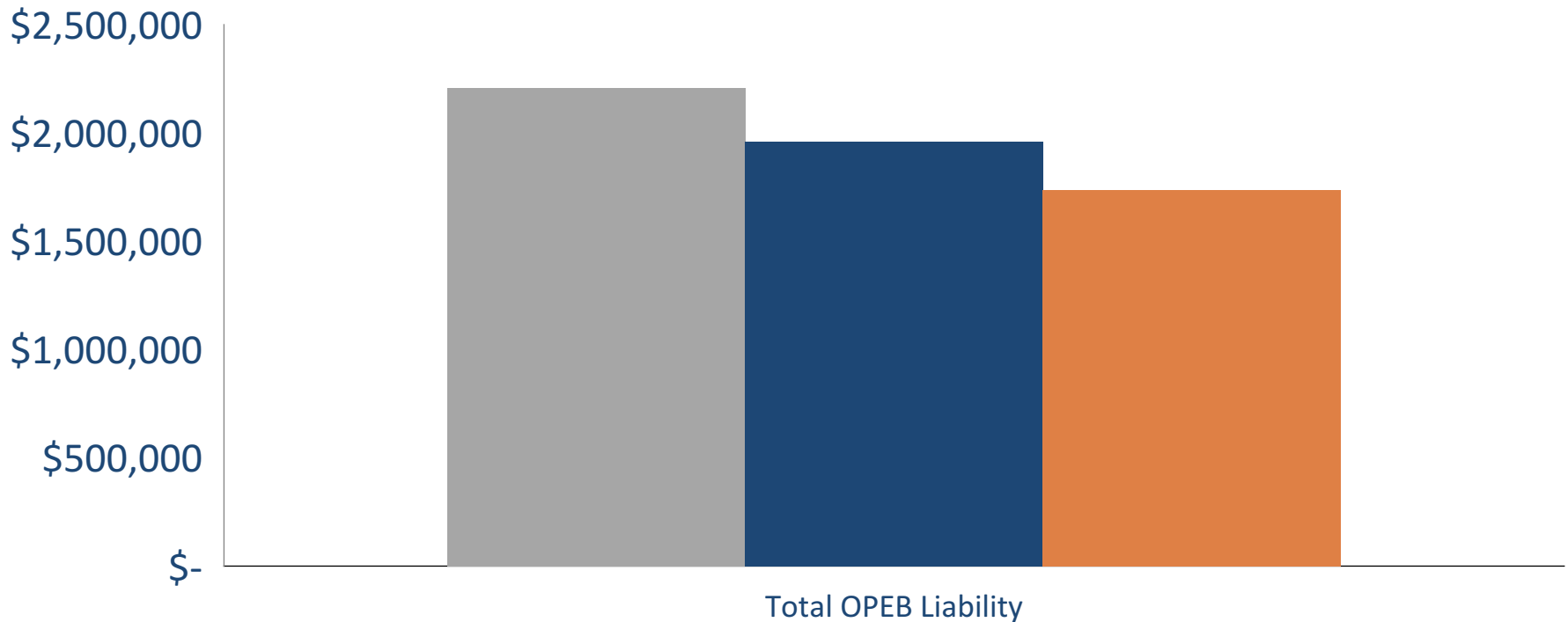
Pension Plan

City's Pension Plan Sensitivity to Discount Rate (2019 Measurement Date)



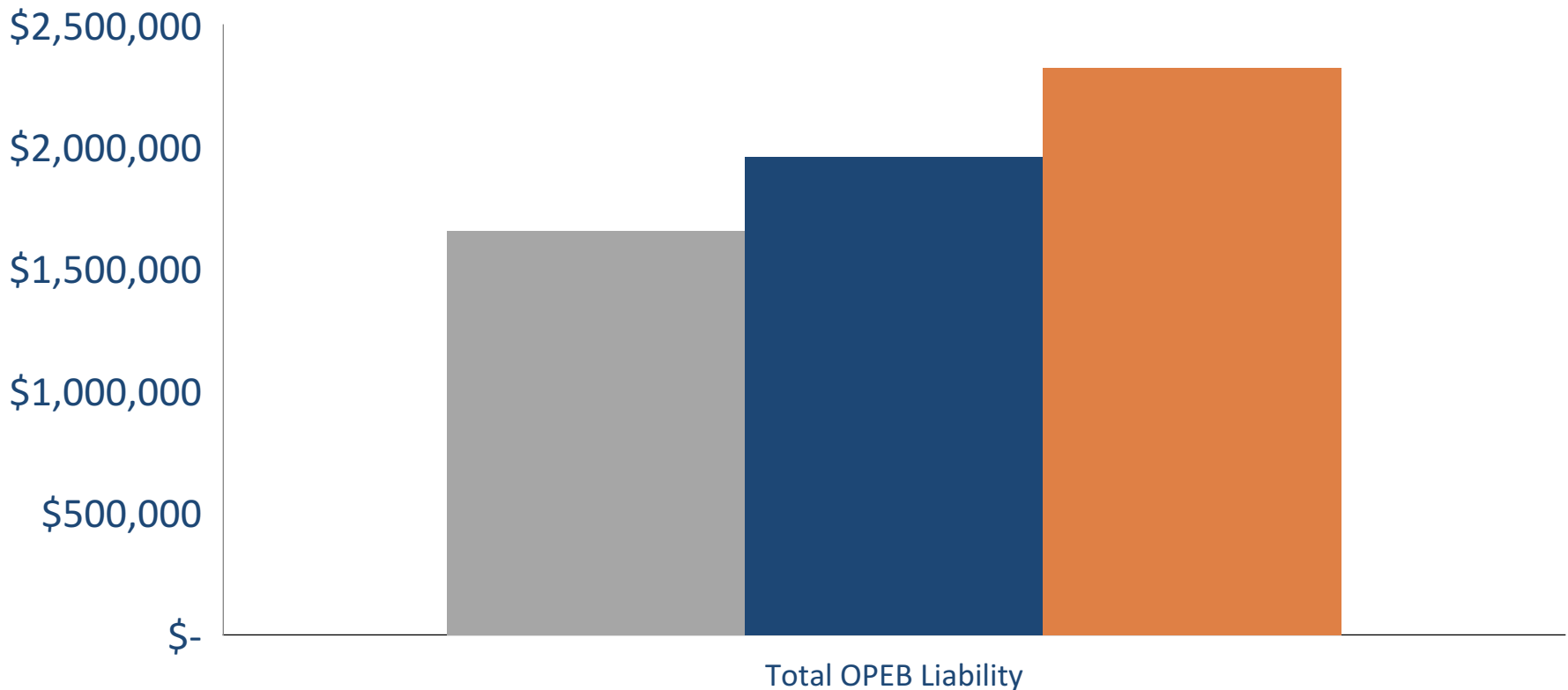
OPEB (Retirees Medical) Plan

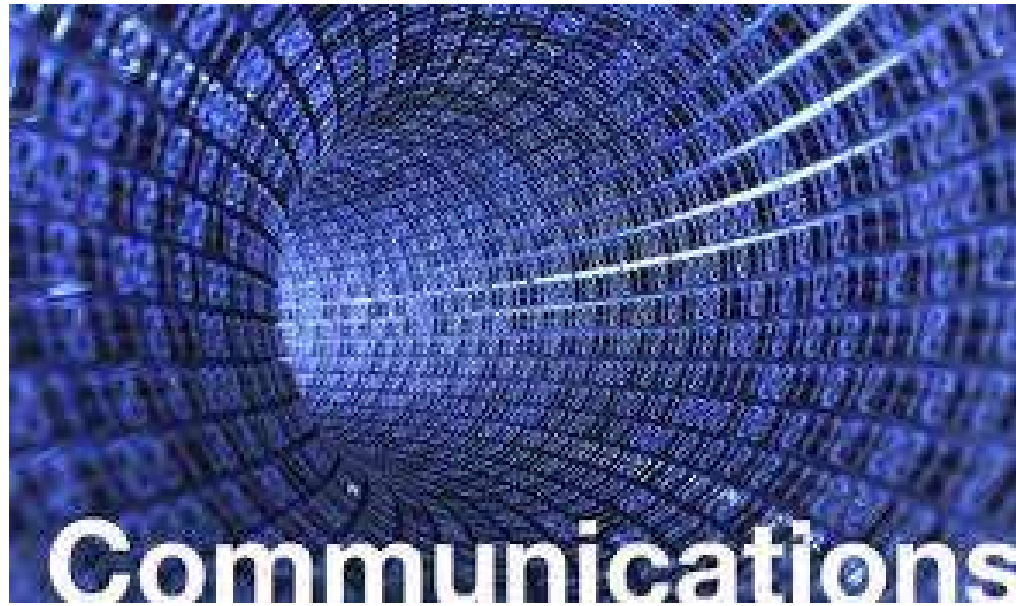
City's Total OPEB Liability Sensitivity to
Discount Rate
(2020 Measurement Date)



OPEB (Retirees Medical) Plan

City's Total OPEB Liability Sensitivity to Health Care Cost Trend Rates
(2020 Measurement Date)





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, contracts and grants
- Ensure financial statements are clear and transparent
- Communicate with the governing body

Management's Responsibility

- Management is responsible for the financial statements
- Establish and maintain internal control over financial reporting
- Making all financial records available to us
- Adjust the financial statements to correct material misstatements
- Establish internal control to prevent and detect fraud
- Inform us of all known and suspected fraud
- Comply with laws and regulations
- Take correction 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

Significant Accounting
Policies and Unusual
Transactions



The City adopted the following new pronouncements during the year:

- GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

Required Communications

Management Judgment and Accounting
Estimates



- Depreciation expense and related accumulated depreciation
- Pollution remediation liability
- Defined benefit plans (actuarial assumptions)
- Defined OPEB plan (actuarial assumptions)

Sensitive Disclosures



- Summary of Significant Accounting Policies
- Loans and notes receivable
- Noncompliance with grant rules and regulations
- Prior period adjustments
- Special Item
- Subsequent Event

Required Communications

Difficulties Encountered in Performing the Audit



None

Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial



Management has posted all proposed audit adjustments.

Potential Effect on the Financial Statements of Any Significant Risks and Exposures



Significant risks or exposures were identified. Potential liabilities from non-compliance are disclosed in the financial statements

Disagreement with Management



None

Deficiencies in Internal Control over Financial Reporting



Significant deficiencies:

- Non-compliance with laws, regulations, contract, and grants
- Restatement of previously issued financials
- Control over accounts receivable

Required Communications

Representations Requested of Management



We will obtain 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

2021

- GASB Statement No. 84 – Fiduciary Activities
- GASB Statement No. 90 – Majority Equity Interests
- GASB Statement No. 93 – Interbank offered rates (except LIBOR removal and lease modifications)

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

2023

- GASB Statement No. 91 – Conduit debt
- GASB Statement No. 94 – Public-private partnerships
- GASB Statement No. 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 Lindsay**

