

City of Yuba City

Presentation to The City Council

December 18, 2018

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



Badawi & Associates
Audit of the
City of Yuba City

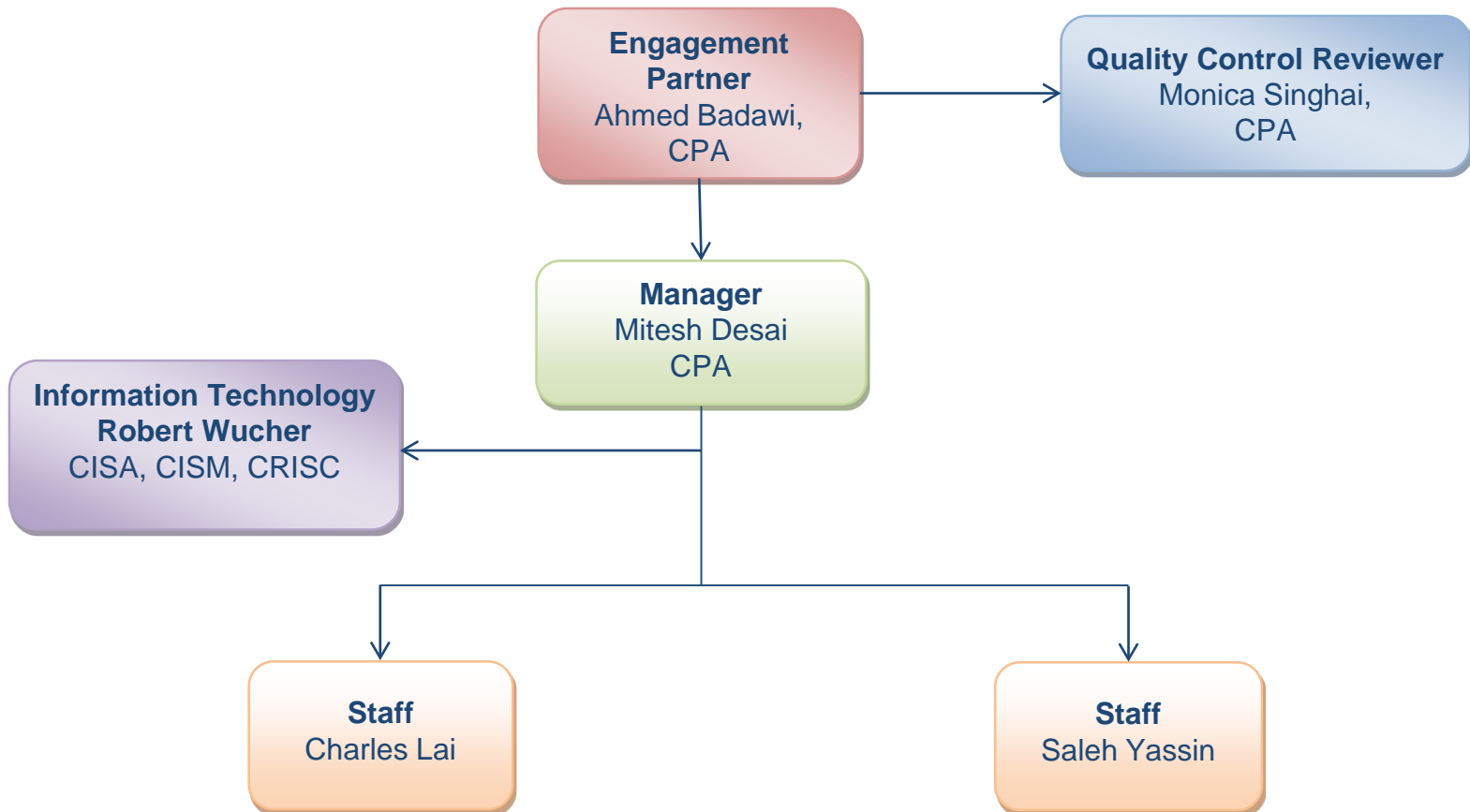
Agenda

- 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 Yuba City Basic Financial Statements
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
- Report on Compliance and on Internal Control Over Compliance with Major Federal Award Programs
- Agreed-Upon Procedures Report 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

- Revenues & Receivables (Tax, Grants, Notes and Others): Improper revenue recognitions
 - Governmental Funds:
 - Confirmed/validated property taxes, sales taxes, franchise taxes & other significant revenues/receivables.
 - Proprietary Funds:
 - Performed analytical procedures on revenues, related receivables, and consumption.
- Pension and OPEB: Complex accounting standard
 - Reviewed journal entries for pension and OPEB.
 - 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 for pension and OPEB
- Management override of controls
 - Review of accounting estimates for bias
 - Examination of manual journal entries
 - Evaluation of business rationale for unusual transactions



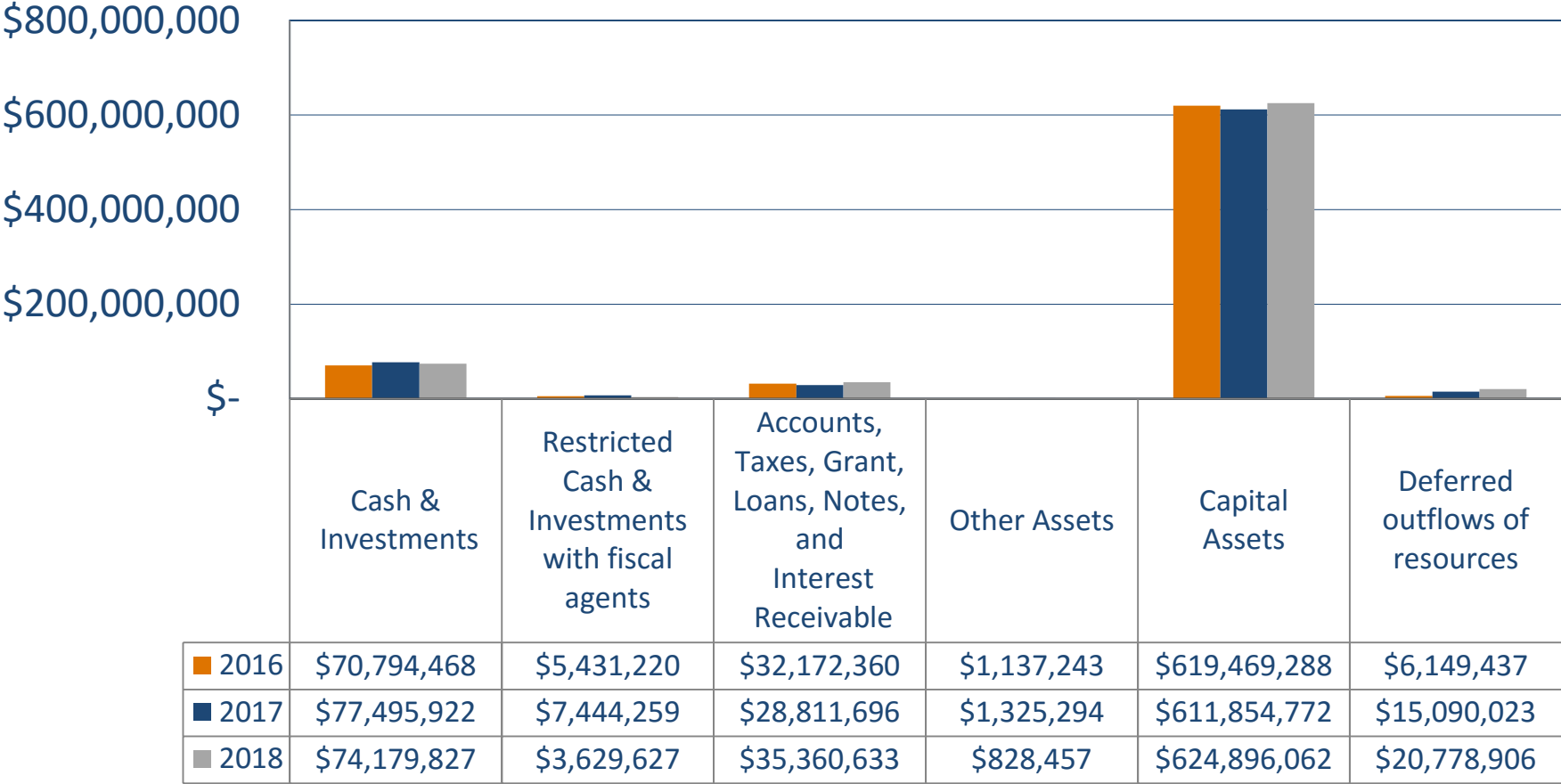
Auditors Report

- Unmodified opinion
- Audit performed in accordance with Generally Accepted Auditing Standards, Government Auditing Standards and Uniform Guidance
- 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



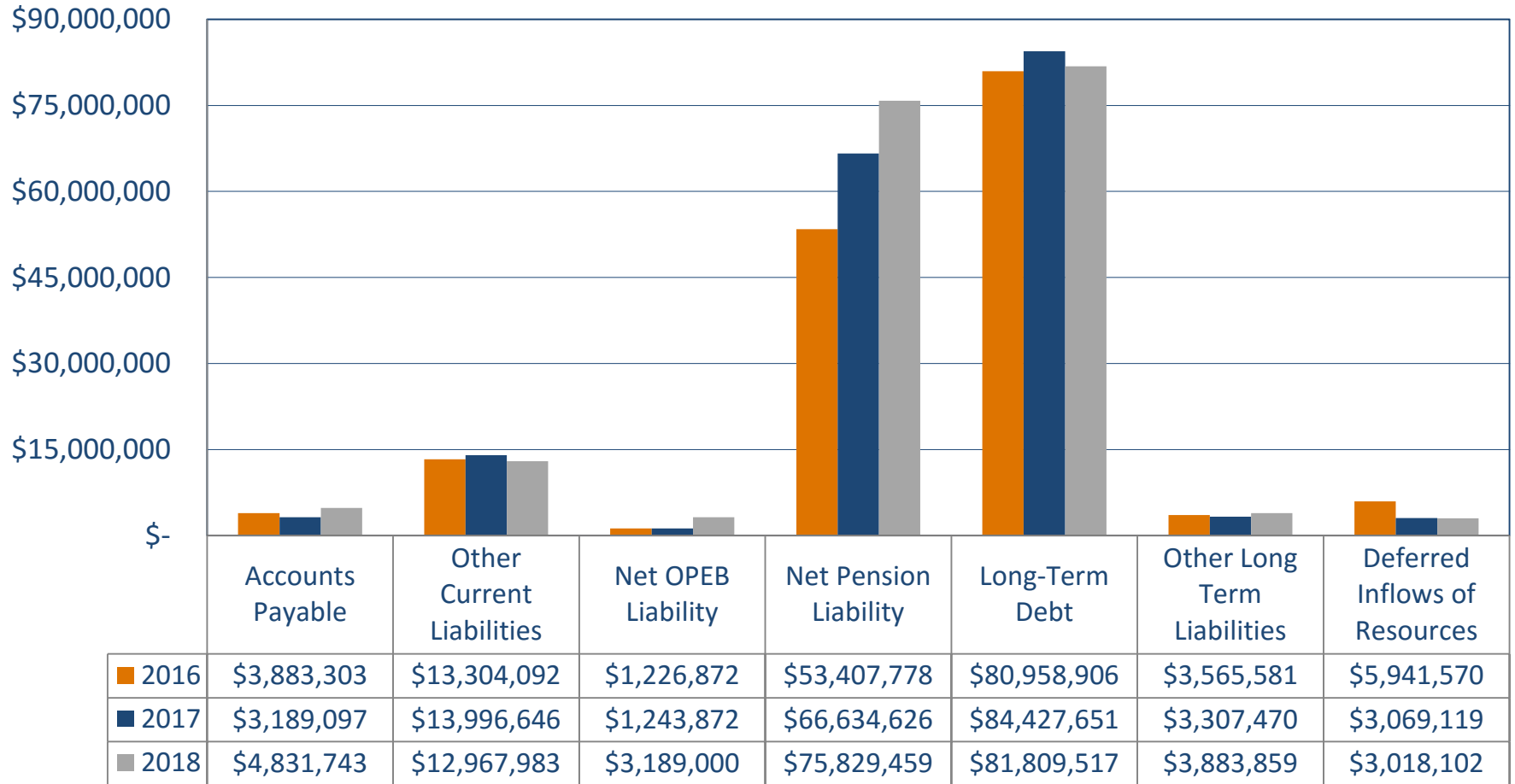
Government-Wide Financial Statements

Assets and Deferred Outflows of Resources



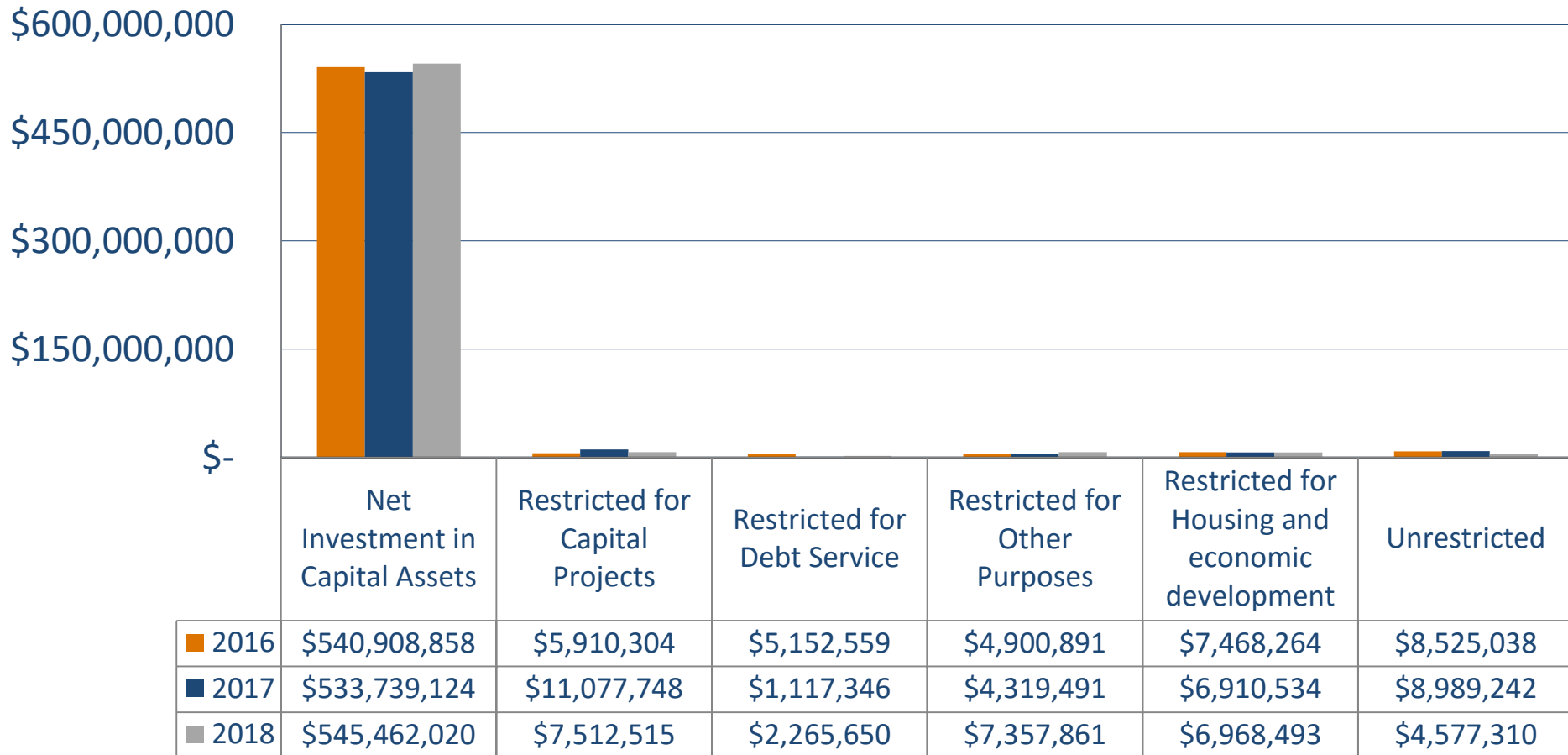
Government-Wide Financial Statements

Liabilities and Deferred Inflows of Resources



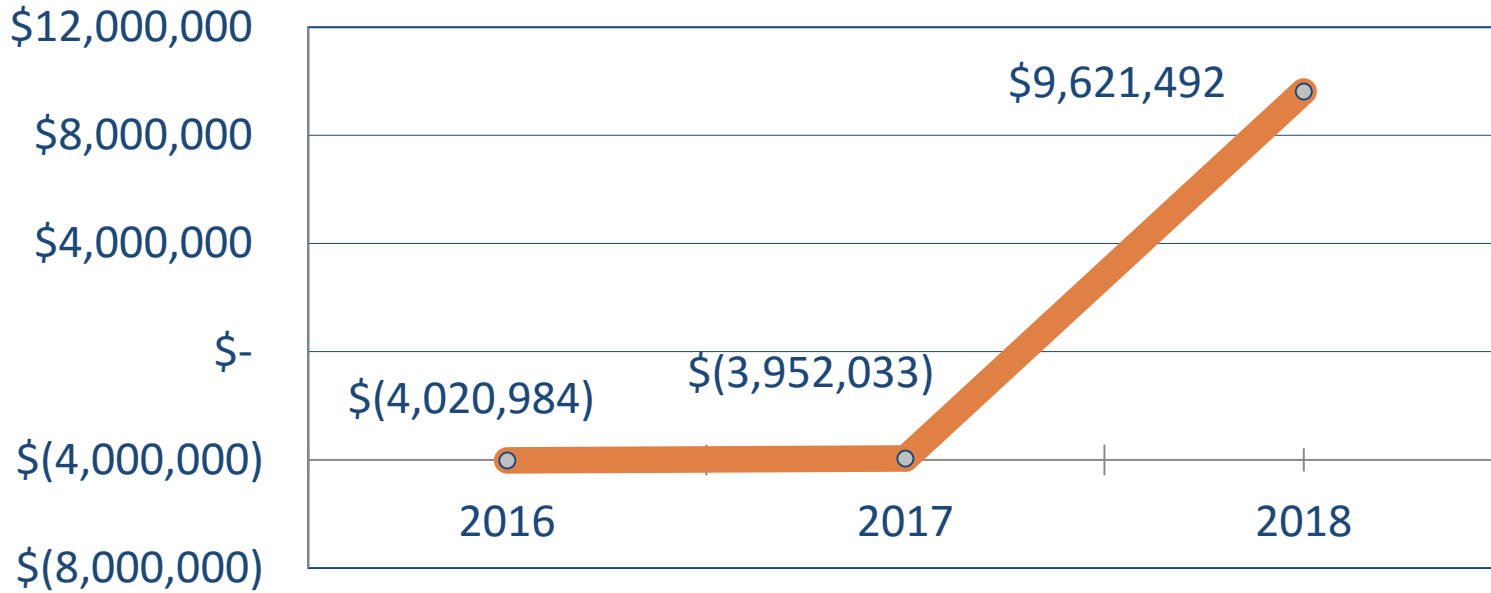
Government-Wide Financial Statements

Net Position



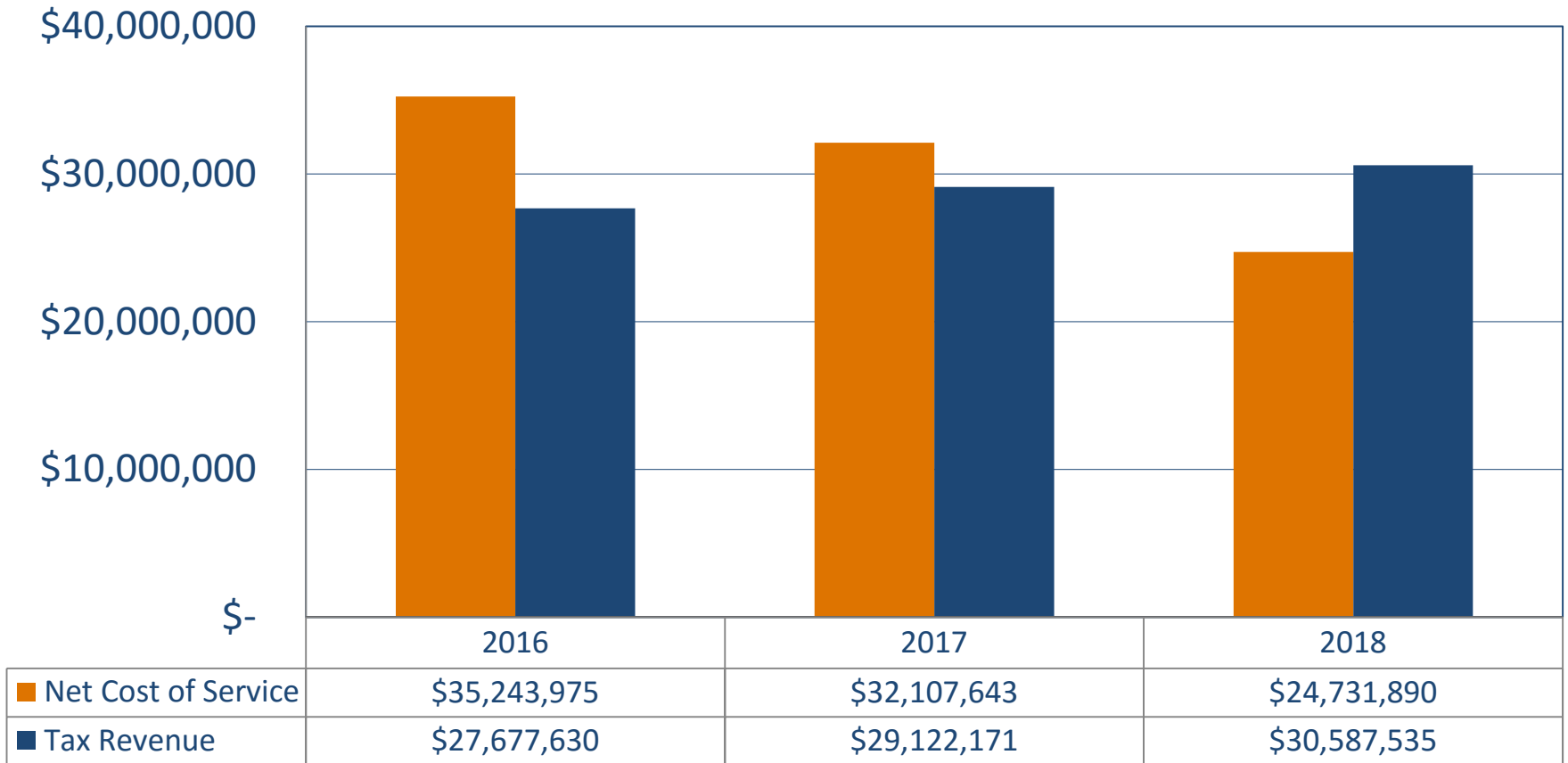
Government-Wide Financial Statements

Changes in Net Position



Government-Wide Financial Statements

Net Cost of Service to Tax Revenue



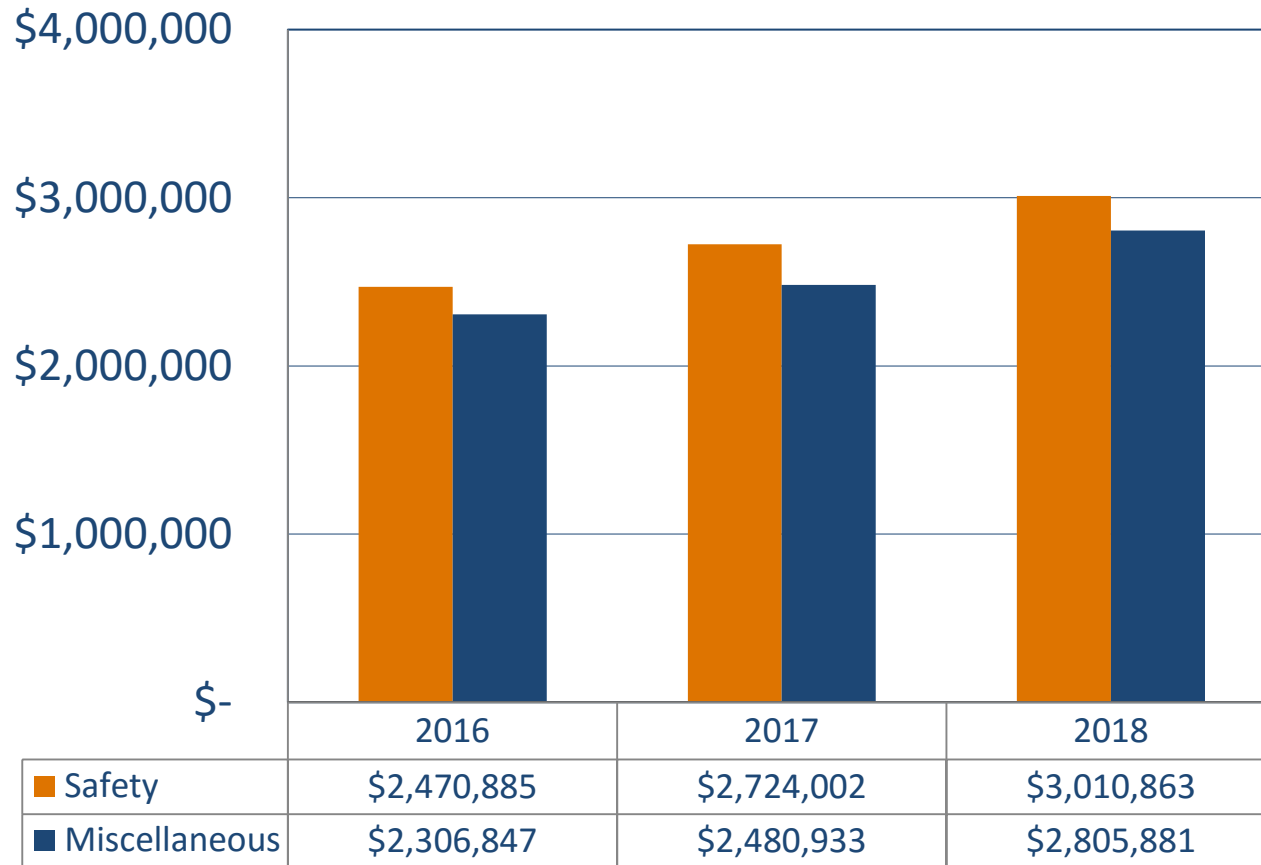
General Fund

Expenditure Coverage

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Unrestricted Fund Balance	<u>\$ 6,112,406</u>	<u>\$ 6,306,690</u>	<u>\$ 6,527,003</u>
Total Expenditures	<u>\$ 37,299,172</u>	<u>\$ 39,414,518</u>	<u>\$ 41,476,651</u>
Unrestricted Fund Balance as a % of Total Expenditures	<u>16.39%</u>	<u>16.00%</u>	<u>15.74%</u>
Number of months	2.0	1.9	1.9
GFOA recommendation	2 - 4		
Measure of City's ability to operate with no revenues using available net position.			

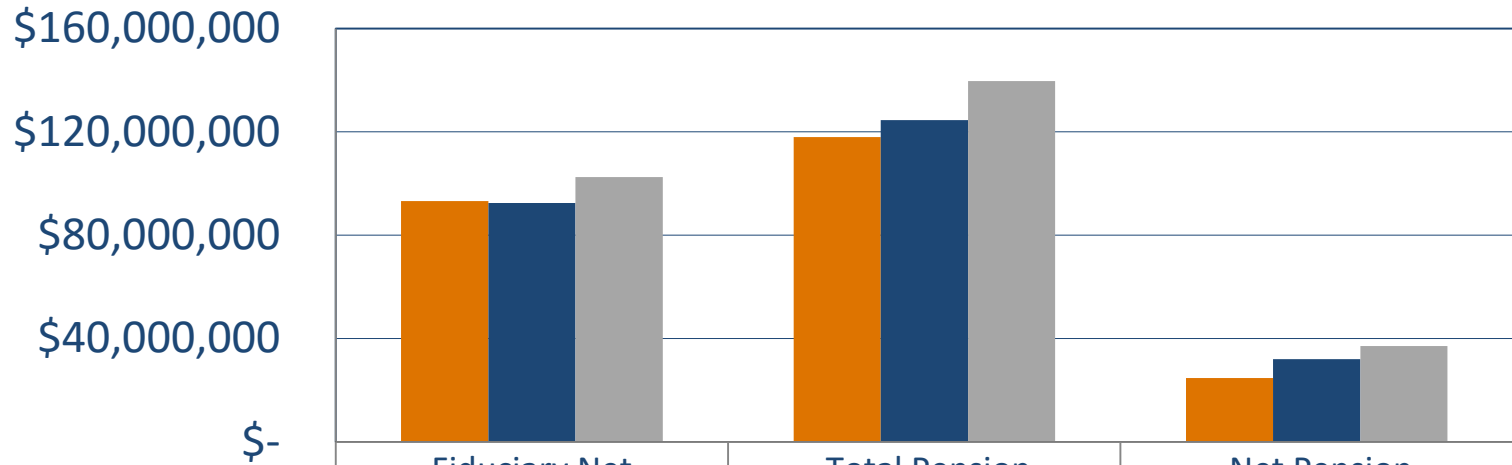
Other Financial Information

City's Annual Pension Contribution



Other Financial Information

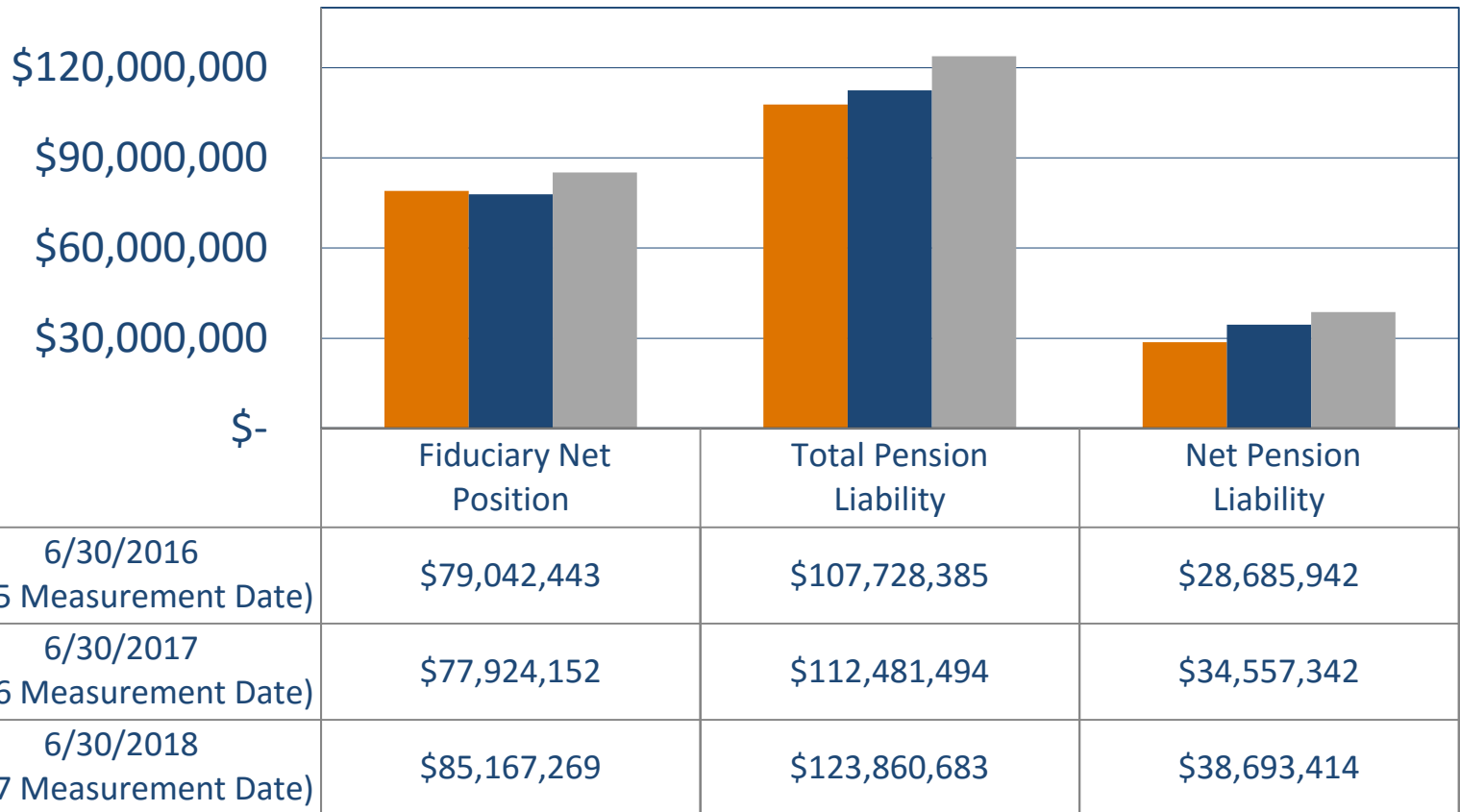
City's Pension Funded Status - Safety



	Fiduciary Net Position	Total Pension Liability	Net Pension Liability
■ 6/30/2016 (2015 Measurement Date)	\$93,259,012	\$117,980,708	\$24,721,696
■ 6/30/2017 (2016 Measurement Date)	\$92,467,948	\$124,545,233	\$32,077,285
■ 6/30/2018 (2017 Measurement Date)	\$102,487,305	\$139,623,350	\$37,136,045

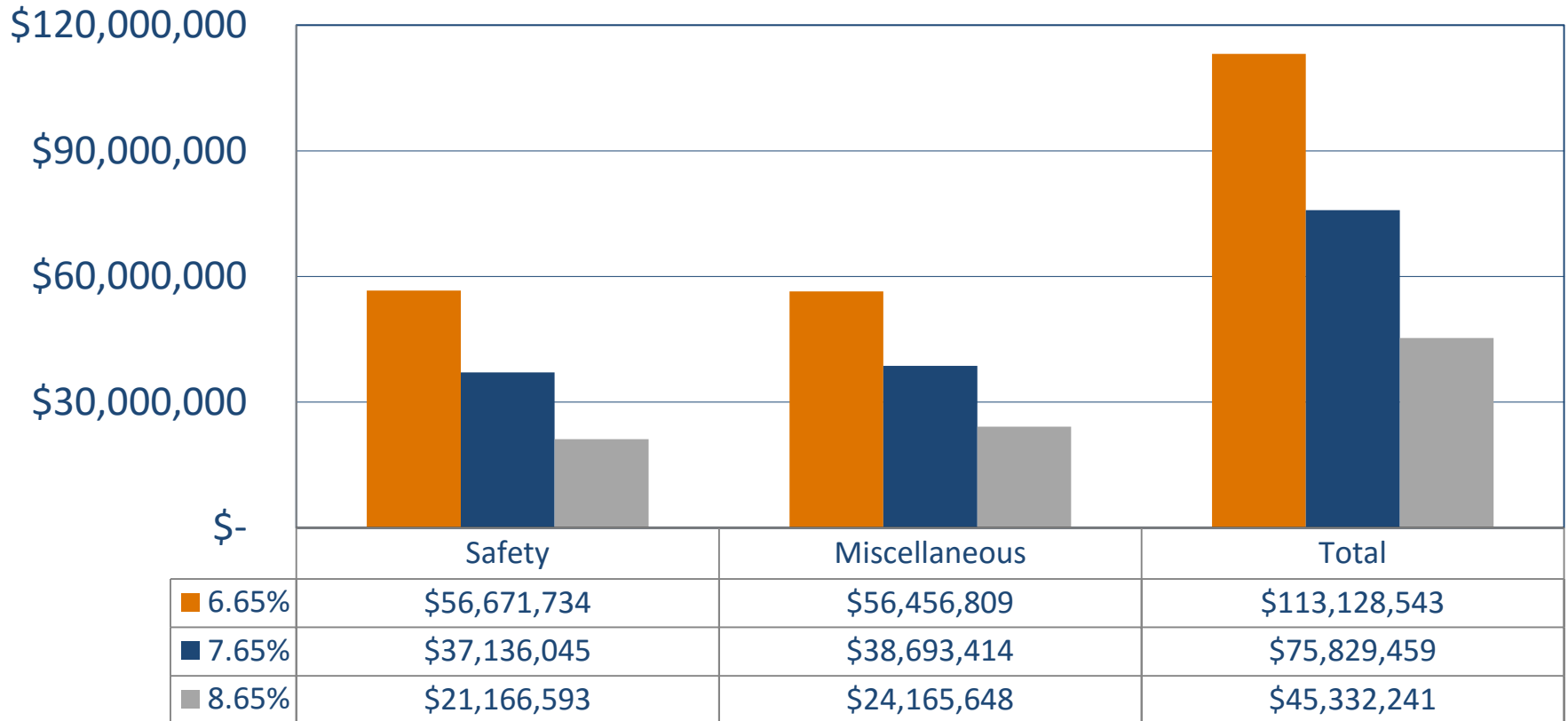
Other Financial Information

City's Pension Funded Status - Miscellaneous



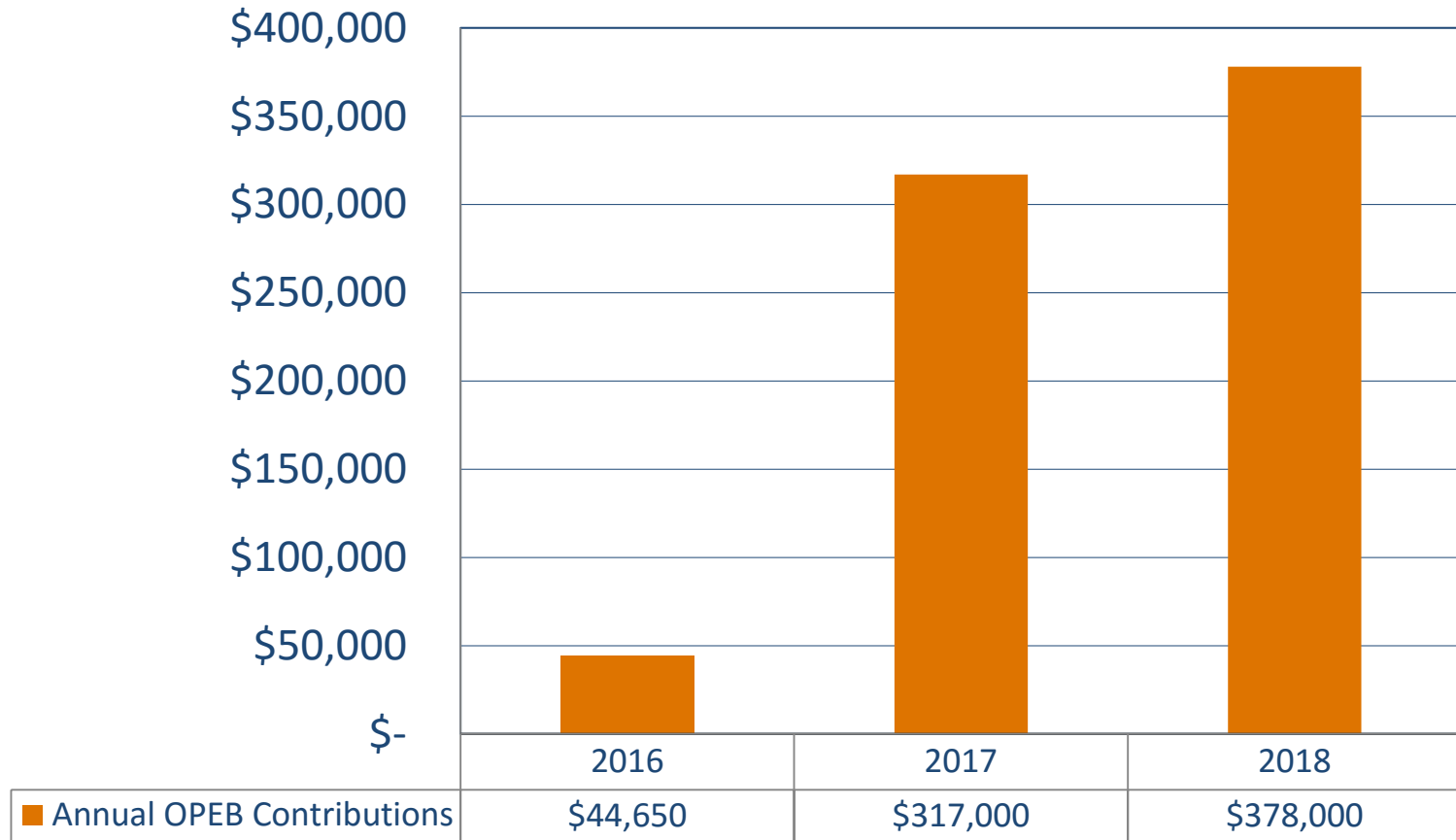
Pension Plan

City's CalPERS Total Pension Plan Sensitivity to Discount Rate (2017 Measurement Date)



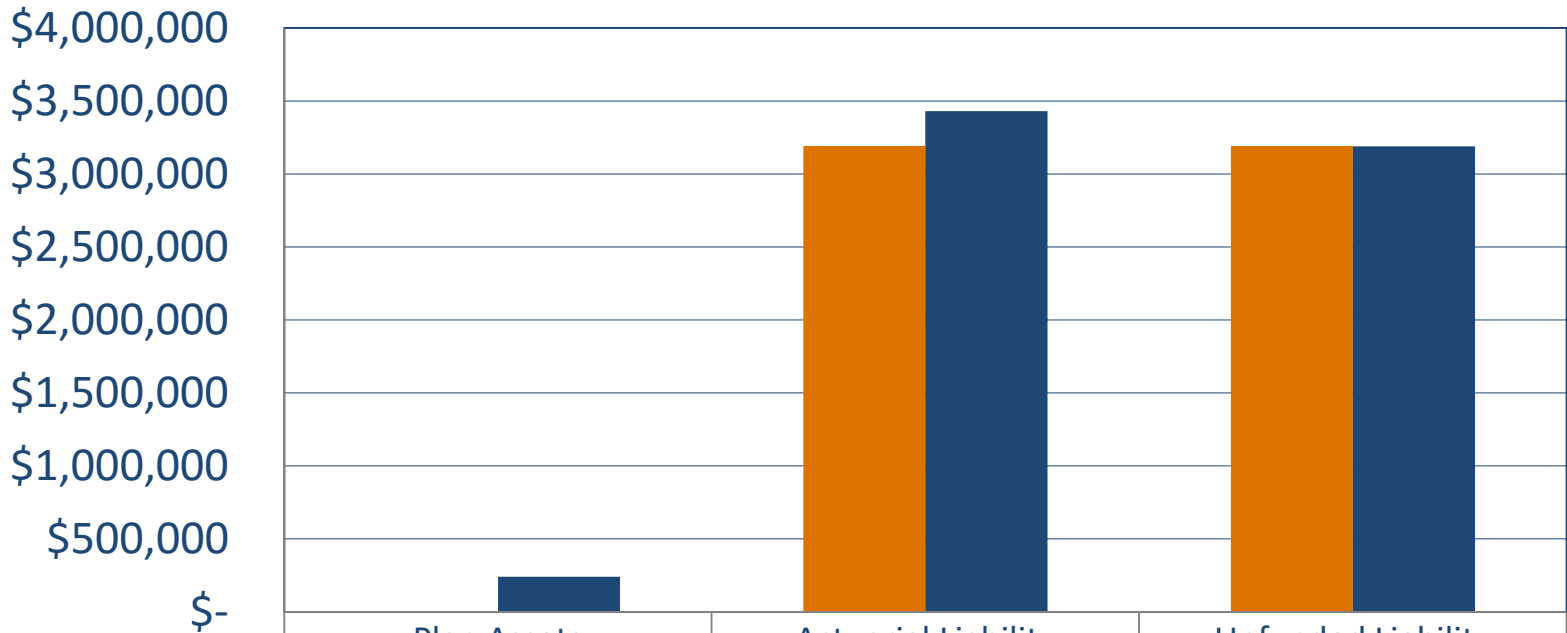
Other Postemployment Benefits

City's Annual OPEB Contributions



Other Financial Information

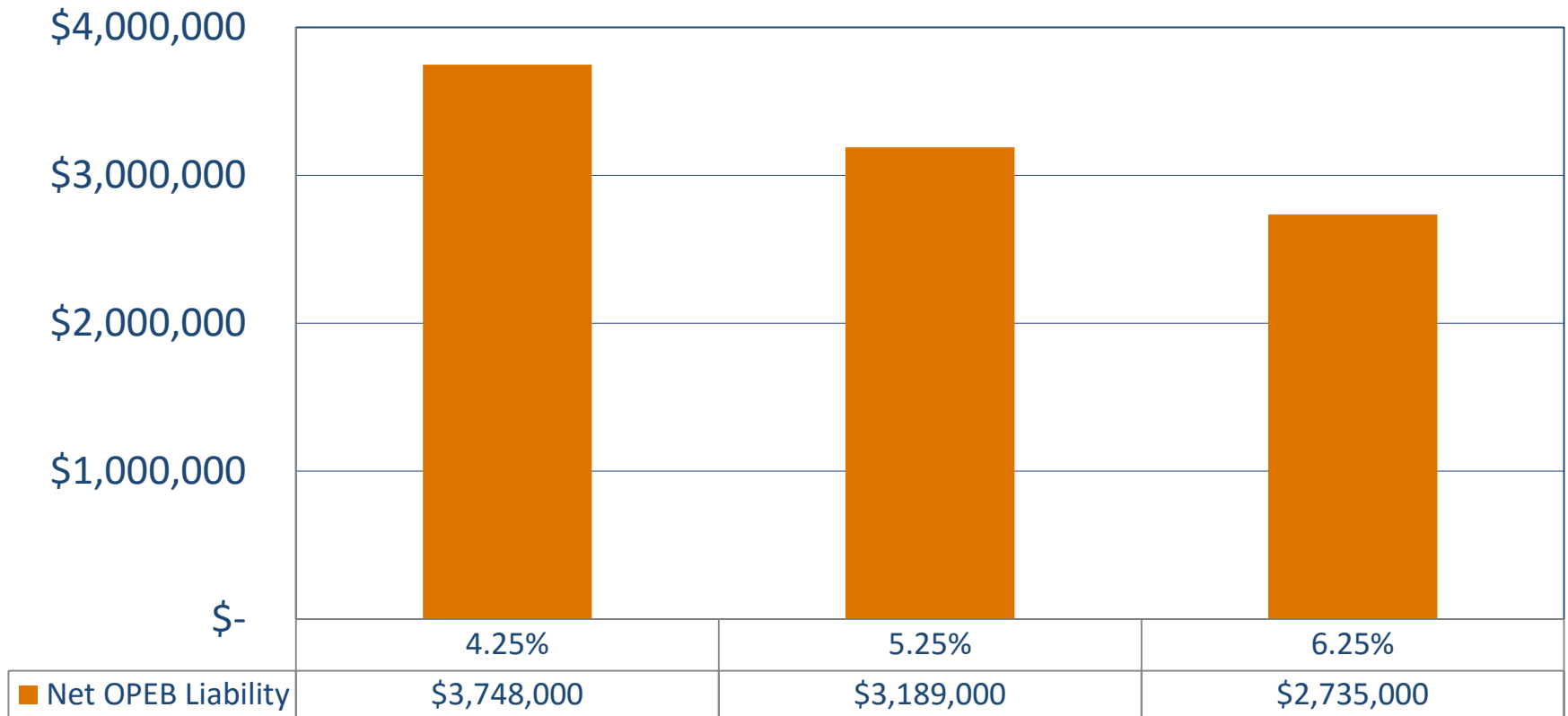
City's OPEB Funded Status



	Plan Assets	Actuarial Liability	Unfunded Liability
■ 6/30/2017 (2016 Measurement Date)	\$-	\$3,192,000	\$3,192,000
■ 6/30/2018 (2017 Measurement Date)	\$242,000	\$3,431,000	\$3,189,000

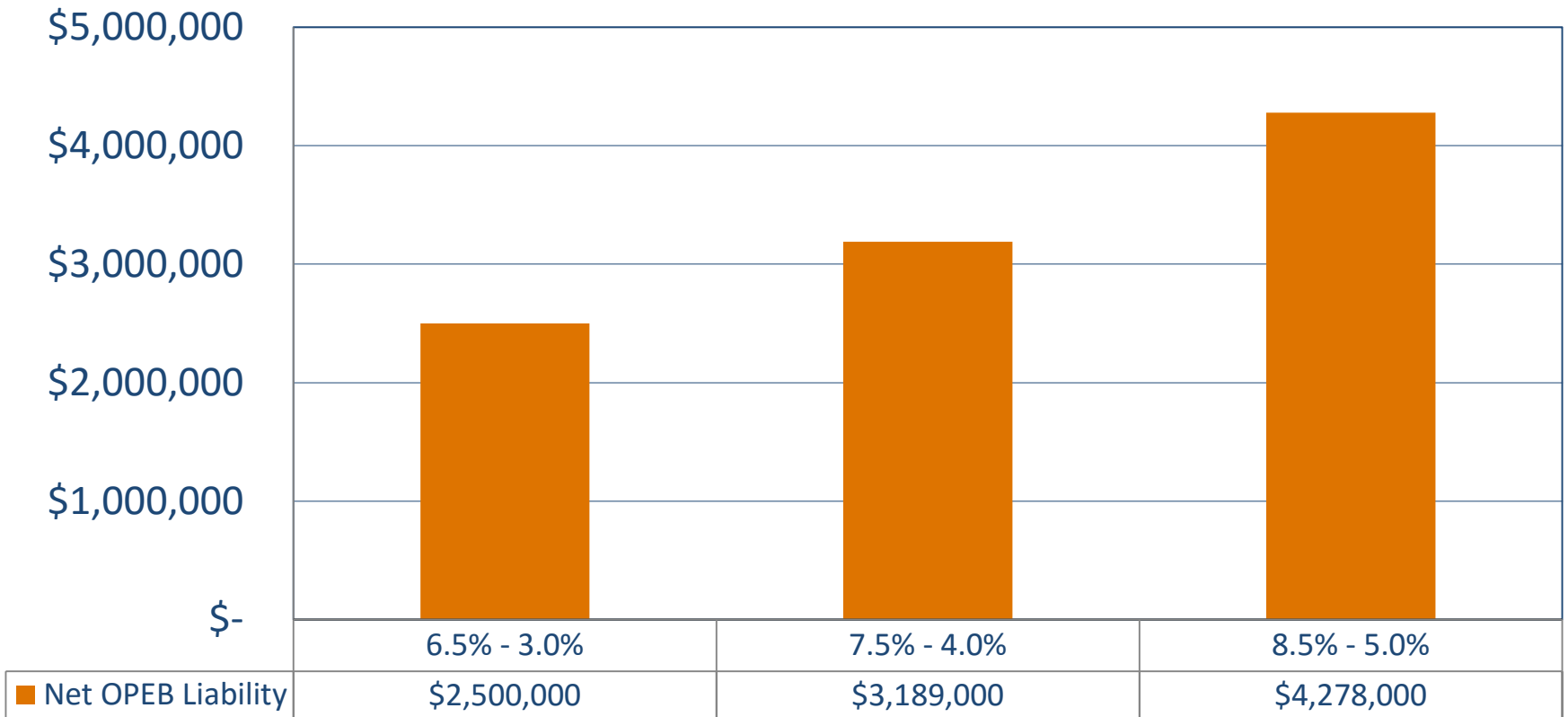
Other Postemployment Benefits

**City's OPEB Plan Sensitivity to Discount Rate
(2017 Measurement Date)**



Other Postemployment Benefits

**City's OPEB Plan Sensitivity to Healthcare Trend Rate
(2017 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, 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 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 rules and regulations
- No other services performed that could affect our independence

- Timing of the Audit



- Audit was performed in the time frame communicated to the City in our engagement letter

Required Communications

- Significant Accounting Policies and Unusual Transactions



The City adopted the following new pronouncements during the year:

- GASB Statement No. 75
- GASB Statement No. 81
- GASB Statement No. 85
- GASB Statement No. 86

- Management Judgment and Accounting Estimates



Significant management estimates impacting the financial statements include the following:

- Useful lives of Capital Assets
- Pension Plans
- OPEB Obligation
- Self-Insurance Liabilities
- Investment Valuations

Required Communications

- Sensitive Disclosures



The most sensitive disclosures affecting the City's financial statements are as follow:

- Summary of Significant Accounting Policies
- Cash and Investments
- Capital Assets
- Long Term Debt
- Net Position/Fund Balances
- Employee Retirement Plans
- Other Post Employment Benefits
- Commitments and Contingencies
- Successor Agency Private Purpose Trust for Assets of Former Redevelopment Agency
- Subsequent Events
- Prior Period Adjustments

- Difficulties Encountered in Performing the Audit



No difficulties were encountered during our audits

Required Communications

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



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

- 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

Required Communications

- Disagreement with Management



We are pleased to report that there were no disagreements with management

- Deficiencies in Internal Control



No material weaknesses were identified during our audits.

Required Communications

- Representations Requested of Management






We obtained certain representations from management in a letter dated December 5, 2018.

- Management Consultation with Other Accountants



We are not aware of any significant accounting or auditing matters for which management consulted with other accountants

Required Communications

- Other Material Written Communications  Other than the engagement letter and management representation letter, there have been no other significant communications
- Material Uncertainties Related to Events and Conditions  There were no material uncertainties relating to events and conditions
- Fraud and Illegal Acts  We have not become aware of any instances of fraud or illegal acts

New Accounting Standards

2019

- Statement 83 – Certain Asset Retirement Obligations
- Statement 88 – Certain Disclosures Related To Debt, Including Direct Borrowings and Direct Placements

2020

- Statement 84 – Fiduciary Activities
- Statement 90 – Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

2021

- Statement 87 – Leases
- Statement 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

Questions



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

