



**BADAWI & ASSOCIATES**  
Certified Public Accountants

# City of Richmond

## Presentation to the City Council

March 3, 2026

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# 2025 Audit of the 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

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# Our Firm and the Engagement Team



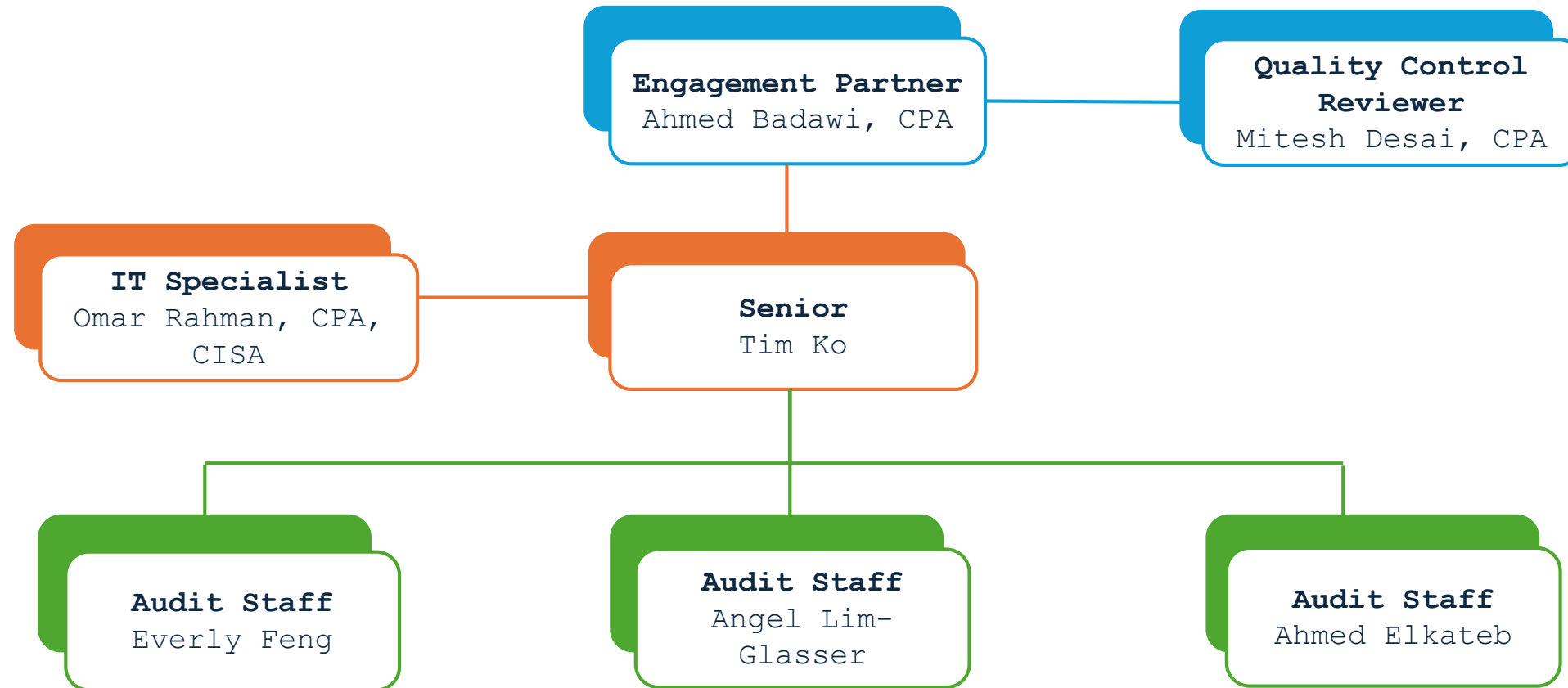
# Our Firm – By the Numbers

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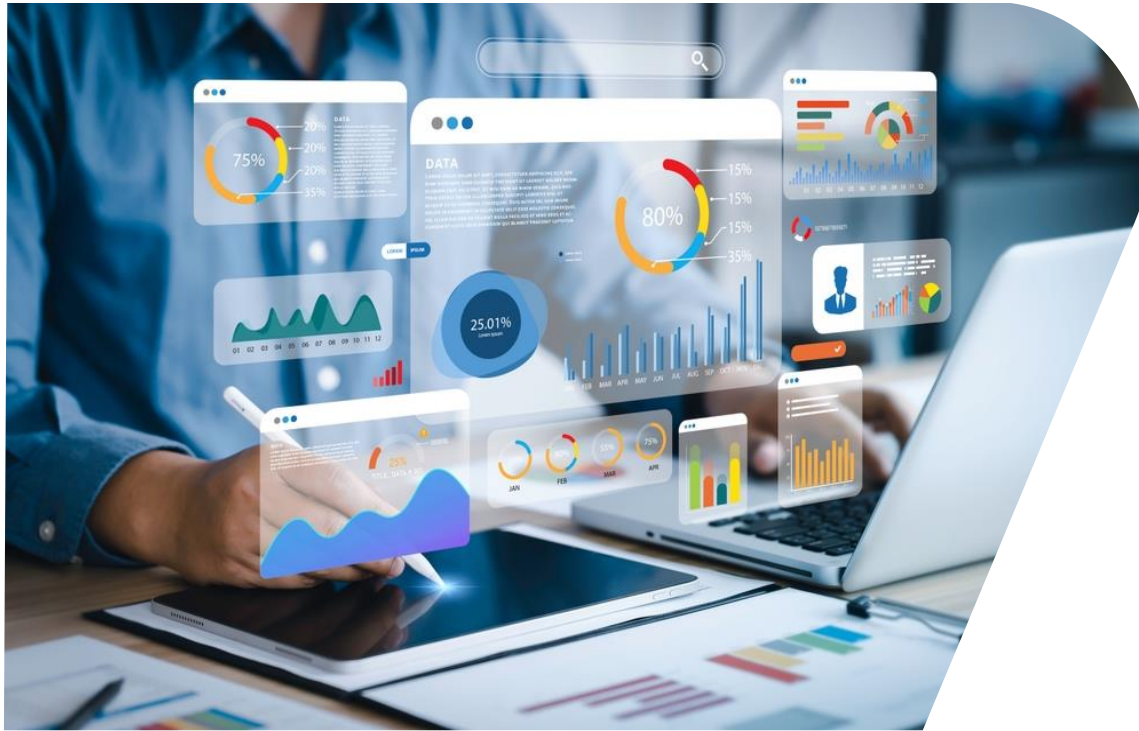


# Engagement Team

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# Deliverables and Scope of the Audit



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# Audit Methodology



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# Areas of Primary Audit Risk



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

- Assigned staff based on consideration of audit risk.
- Incorporated an element of unpredictability in the audit.
- Considered the selection and application of significant accounting principles.
- Examined journal entries prepared by management.
- Reviewed accounting estimates for bias.
- Evaluated the business rationale for unusual transactions.
- Evaluated 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 analytics 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 estimates
- Other Post-Employment Benefits (OPEB) estimates
- Claim Liabilities Estimates

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# Auditor's Report and Financial Statements

## Auditor's Report

Auditing Standards

Unmodified Opinions

Disclaimer Opinions

• Financial statements are fairly presented in all material respects

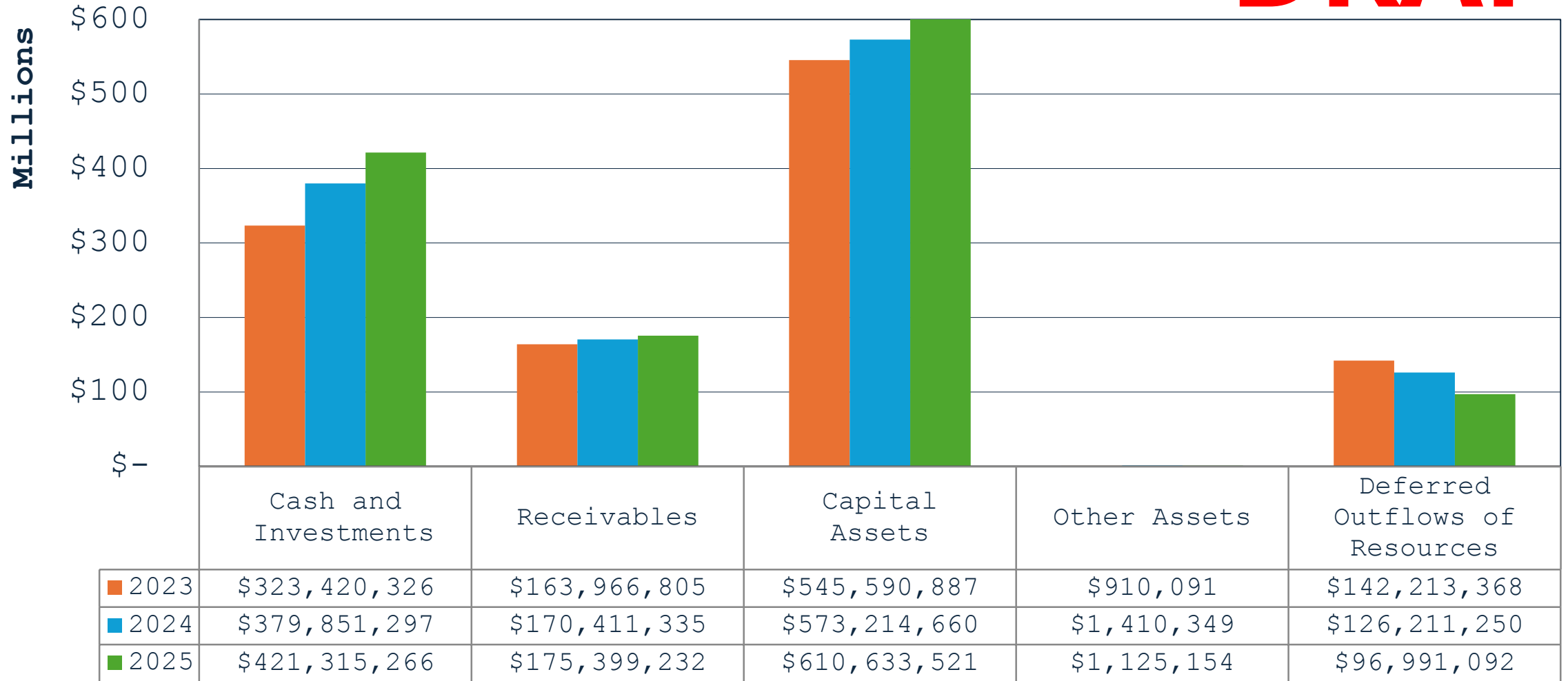
• Disclosures are properly reflected in the financial statements

• 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

# Government-Wide Financial Statements

## Assets and Deferred Outflows of Resources

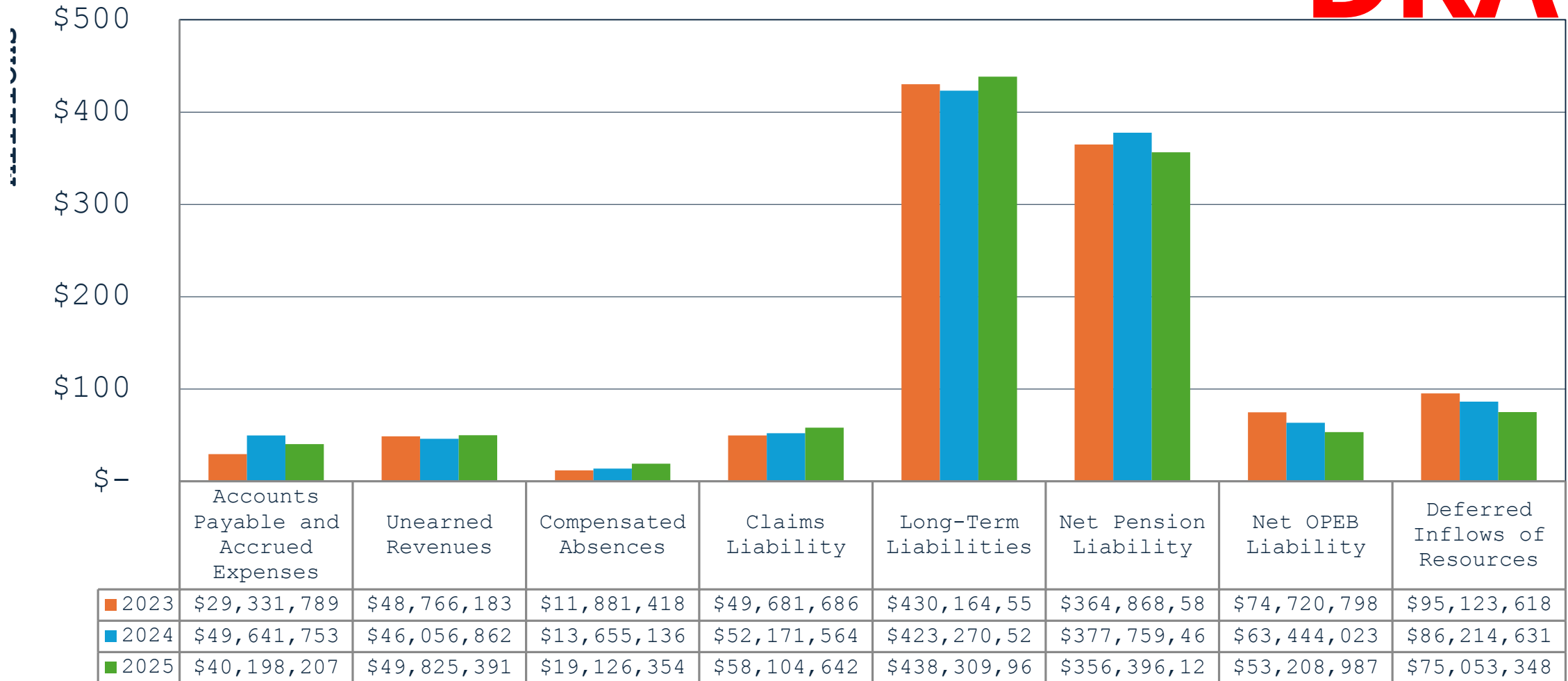
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# Government-Wide Financial Statements

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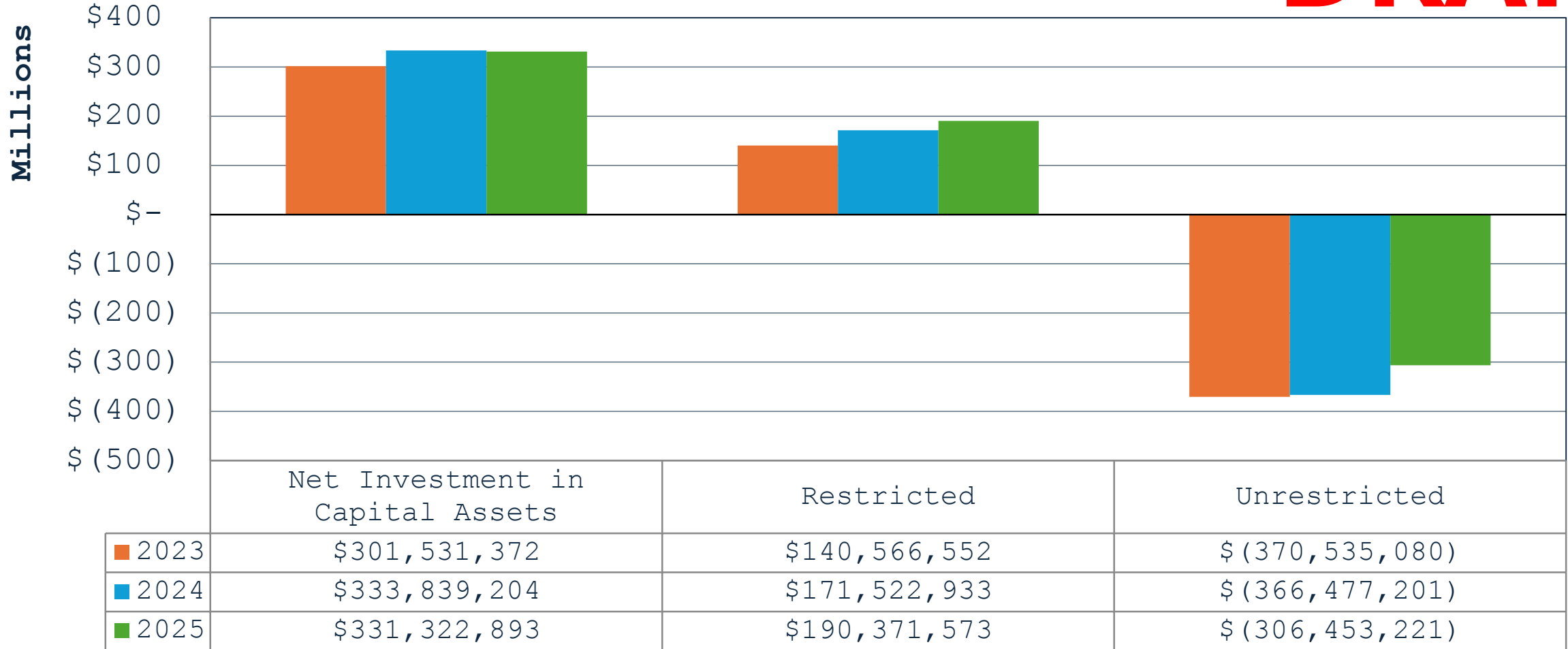
## Liabilities and Deferred Inflows of Resources



# Government-Wide Financial Statements

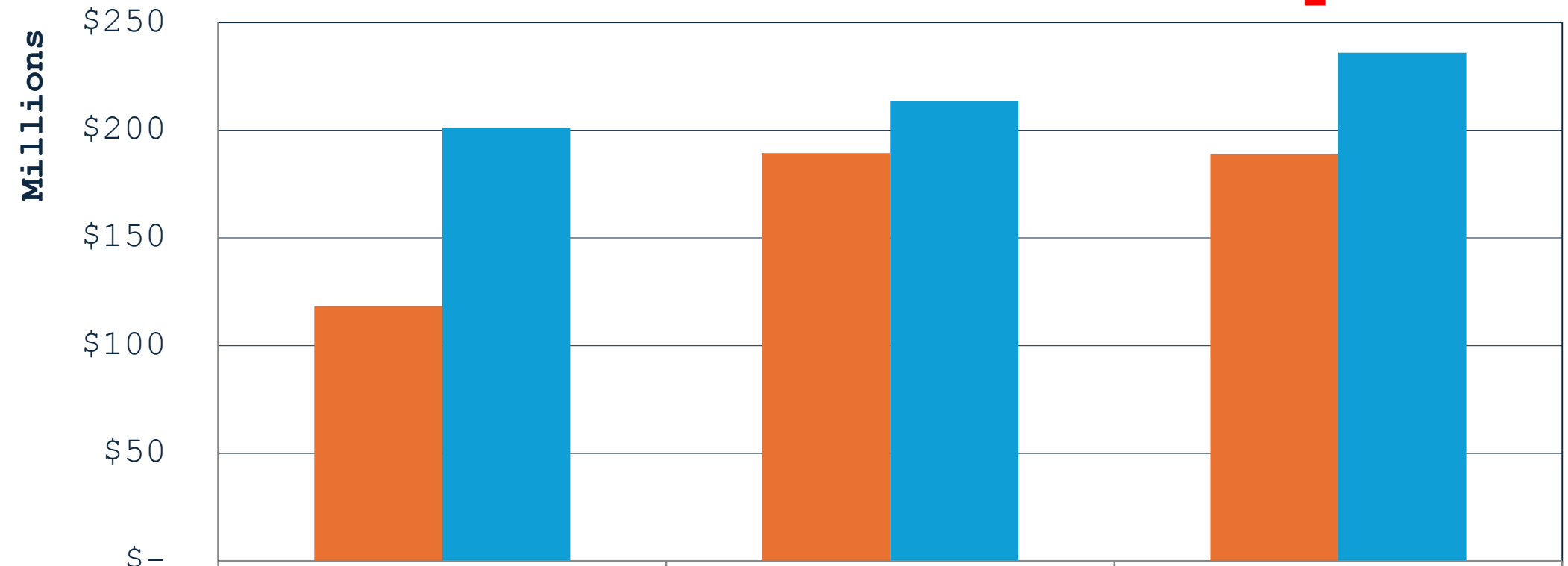
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## Net Position



# Government-Wide Financial Statements

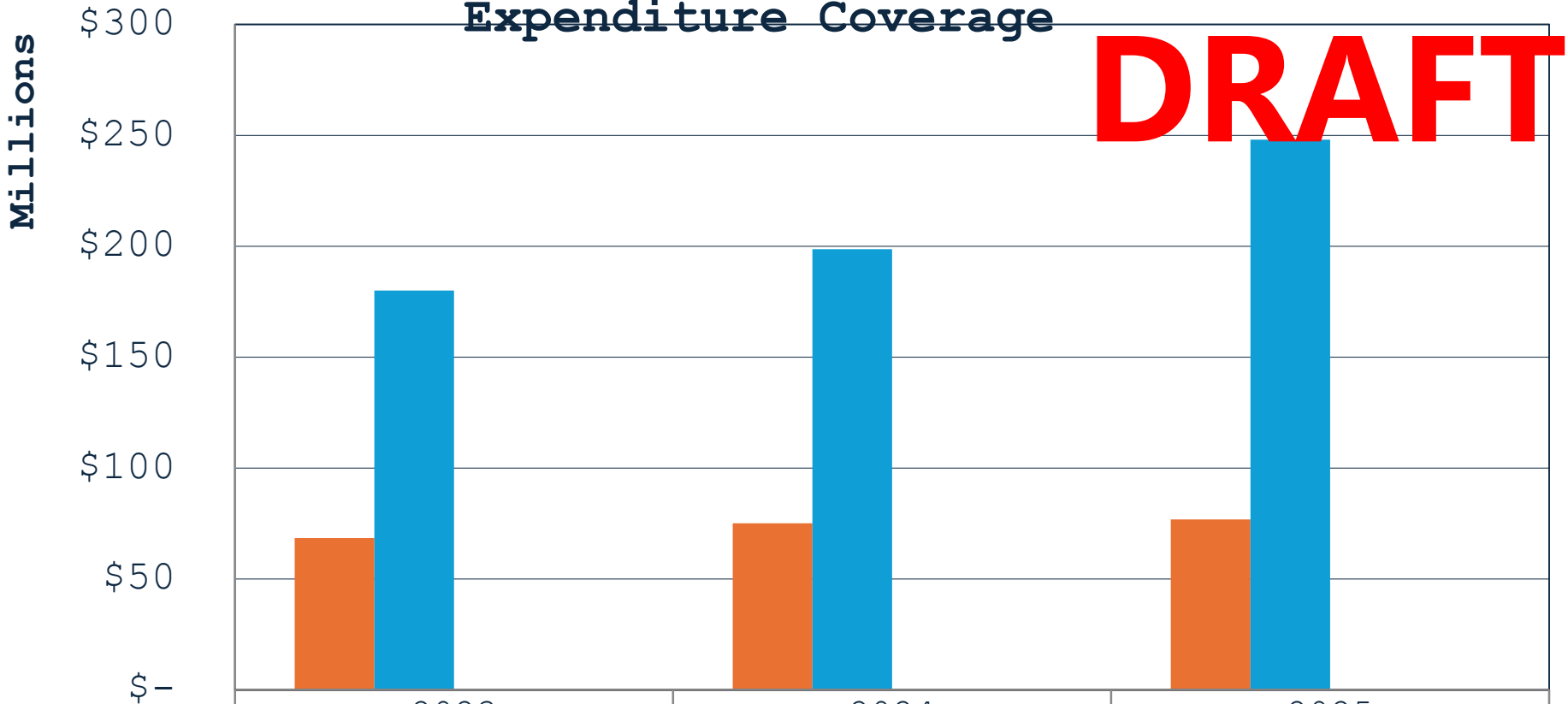
## Net Cost of Service to Tax Revenue - Governmental Activities



	2023	2024	2025
Net Cost of Service	\$118,272,590	\$189,406,431	\$188,865,723
Tax Revenue	\$200,930,805	\$213,450,483	\$236,016,676



# General Fund



	2023	2024	2025
■ Unrestricted Fund Balance	\$68,447,884	\$75,116,935	\$76,775,100
■ Total Expenditures	\$180,085,786	\$198,640,109	\$248,102,399
As % of Total Expenditures	38%	38%	31%
* Number of Months*	5	5	4

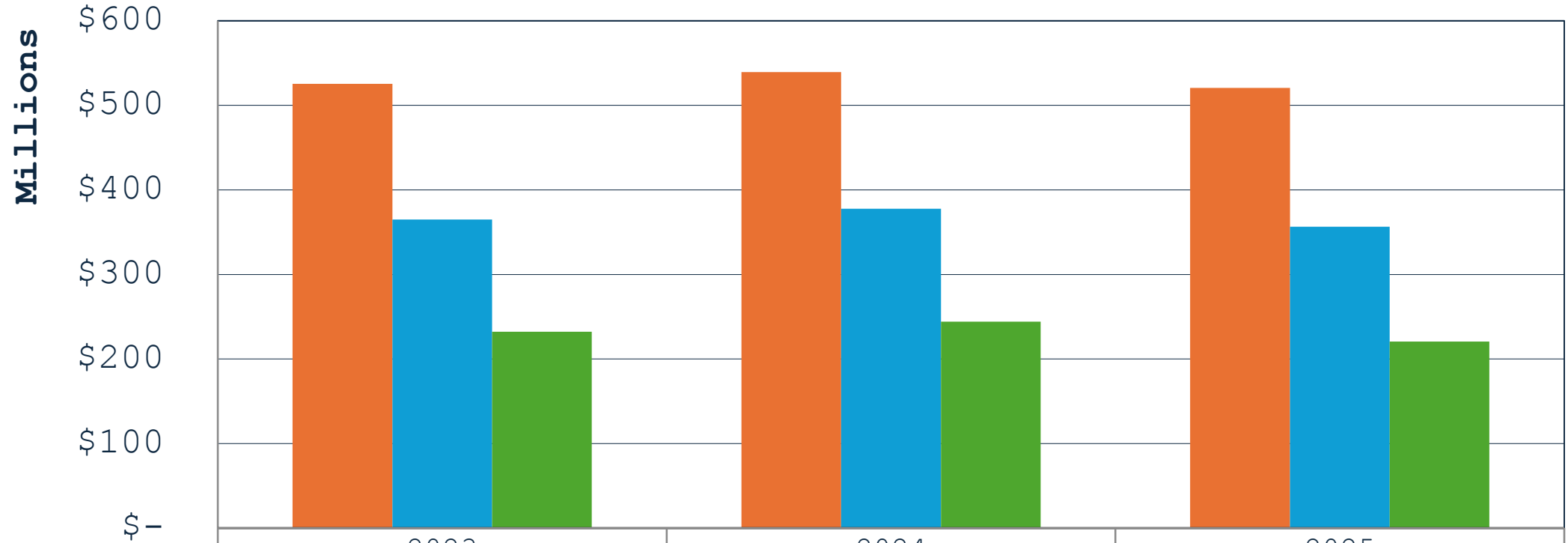
\* Number of Months\* ability to operate with no revenues using available fund balance. CFO recommendation no less than 2 months.



# Pension Plans

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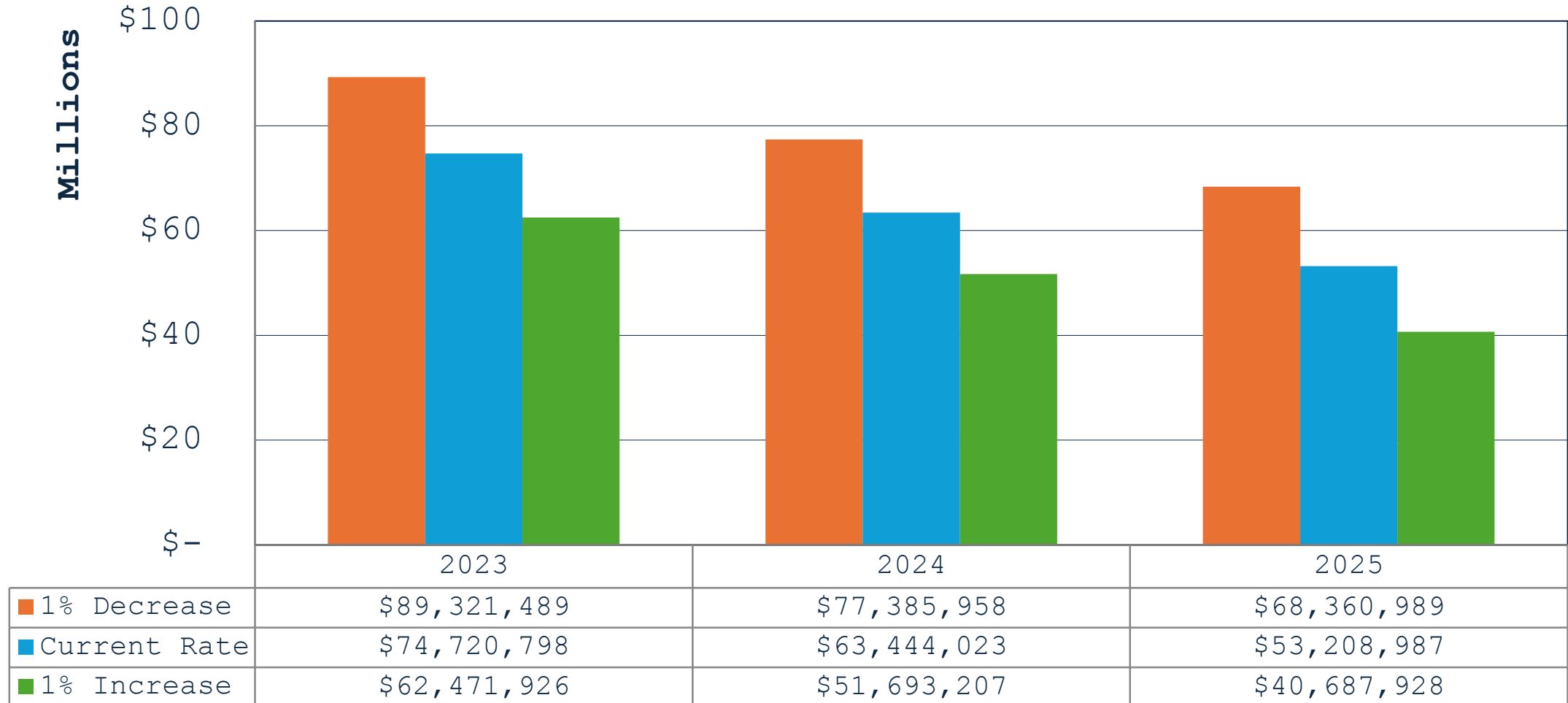
## Total Net Pension Liability (Asset) Sensitivity to Discount Rate



	2023	2024	2025
1% Decrease	\$525,519,866	\$539,310,385	\$520,671,718
Current Rate	\$364,868,588	\$377,759,466	\$356,396,122
1% Increase	\$232,176,893	\$244,270,059	\$220,594,427

# Other Postemployment Benefits Plans **DRAFT**

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



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# 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

- Not 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 pronouncements during the year:
  - GASB Statement No. 101 - Compensated Absences
  - GASB Statement No. 102 - Certain Risk Disclosures

## 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

- No material weaknesses were identified.

# New Accounting Standards

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2026

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

2027

- GASB Statement No. 105 – Subsequent Events

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

