

# City of Atwater

## Presentation to The City Council

April 10, 2023

Presented by: Ahmed Badawi, CPA  
Partner

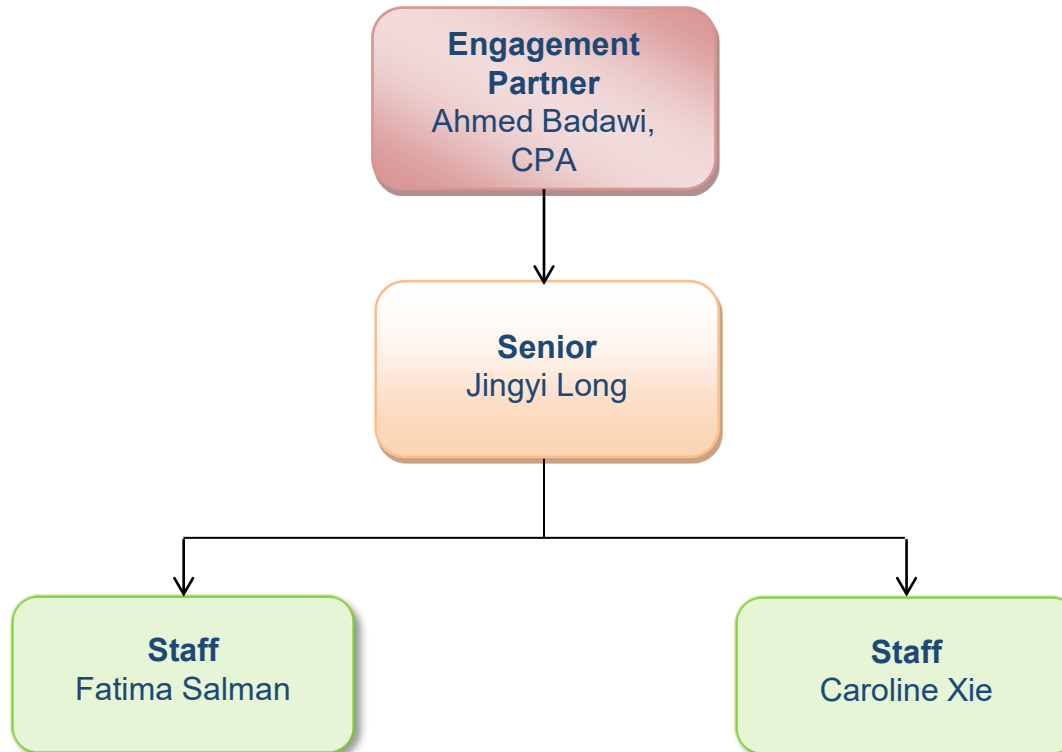


**Badawi & Associates**  
**Audit of the**  
**City of Atwater**

# 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



# Deliverables and Scope of the Audit

- Report of Independent Auditors on City of Atwater City Basic Financial Statements (BFS).
- Report of Independent Auditors on Atwater City Housing Authority Basic Financial Statements (BFS).
- 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.
- Communications With Those Charged With Governance.
  - Letter used to summarize communication of various significant matters to those charged with governance.
- Agreed-Upon Procedures Report on Appropriation Limit Schedule.

# Areas of Primary Audit Emphasis

- Revenues & Receivables (Tax, Grants, Notes and Others): Improper revenue recognitions
  - Governmental Funds:
    - Confirm/validate property taxes, sales taxes, franchise taxes & other significant revenues/receivables.
  - Proprietary Funds:
    - UB trend analytics and ratio analysis of receivable and revenue accounts.
    - Review allowance for uncollectible accounts.
- Pension and OPEB:
  - Reviewed management's journal entries for pension and OPEB.
  - Agreed 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
- Management override of controls:
  - Review of accounting estimates for bias.
  - Examination of manual journal entries.
  - Evaluation of business rationale for unusual transactions.

# Auditor's Report

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

# 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, if any.



# 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



- Not within the time frame originally communicated to the City in our engagement letters.

# 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 such 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 over Financial Reporting



No material weaknesses identified during our audit.

# Questions



Ahmed Badawi  
abadawi@b-acpa.com

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

