BADAWI & ASSOCIATES
Certified Public Accountants

City of Victorville

Presentation to the Audit Committee

April 8, 2025

2024 Audit of City of Victorville

Agenda

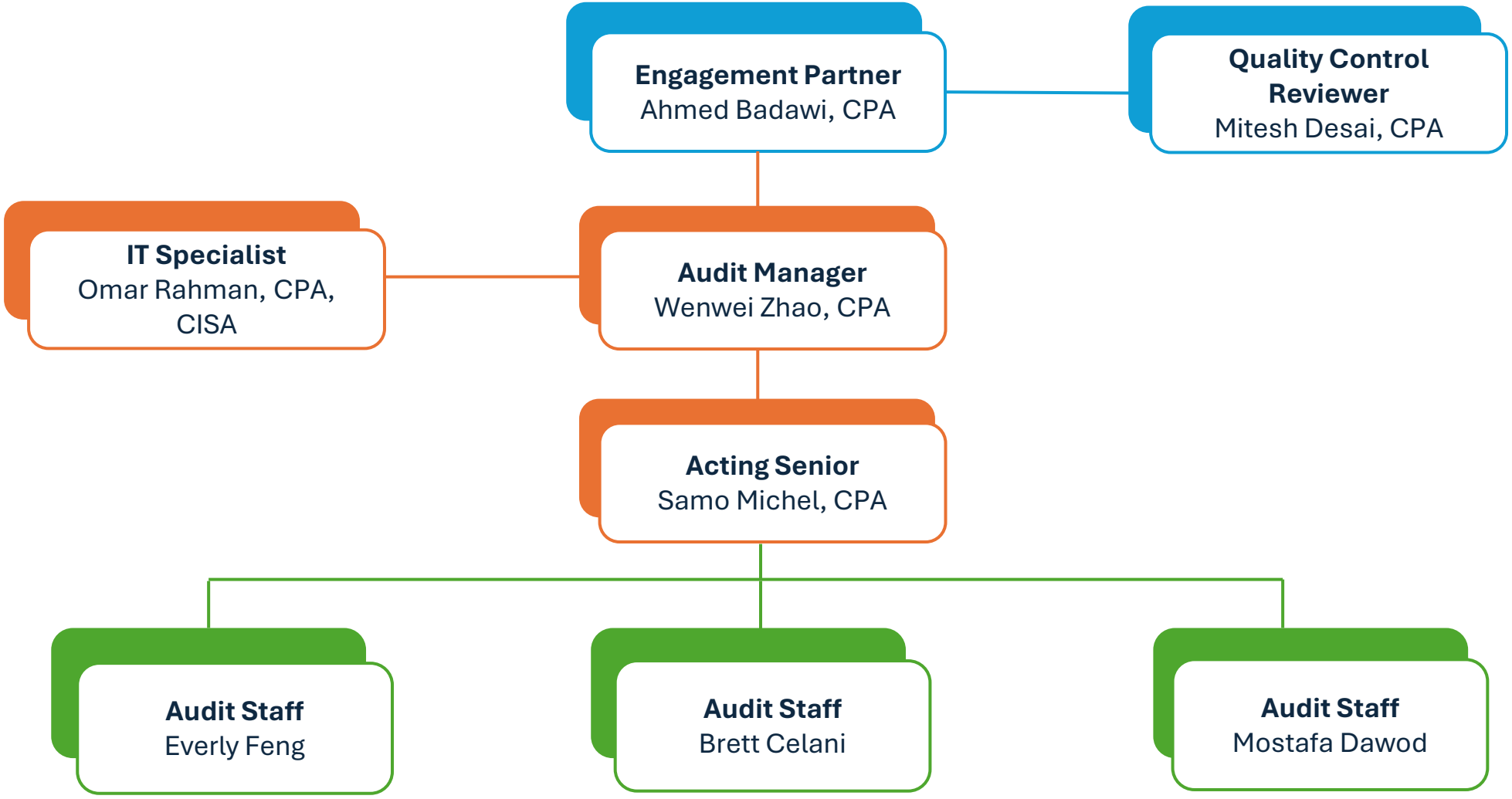
- Our Firm and the Engagement Team
- Deliverables and Scope of the Audit
- Audit Methodology
- Areas of Primary Audit Risk
- Auditor’s Report and Financial Statements
- Required Communications
- New Accounting Standards

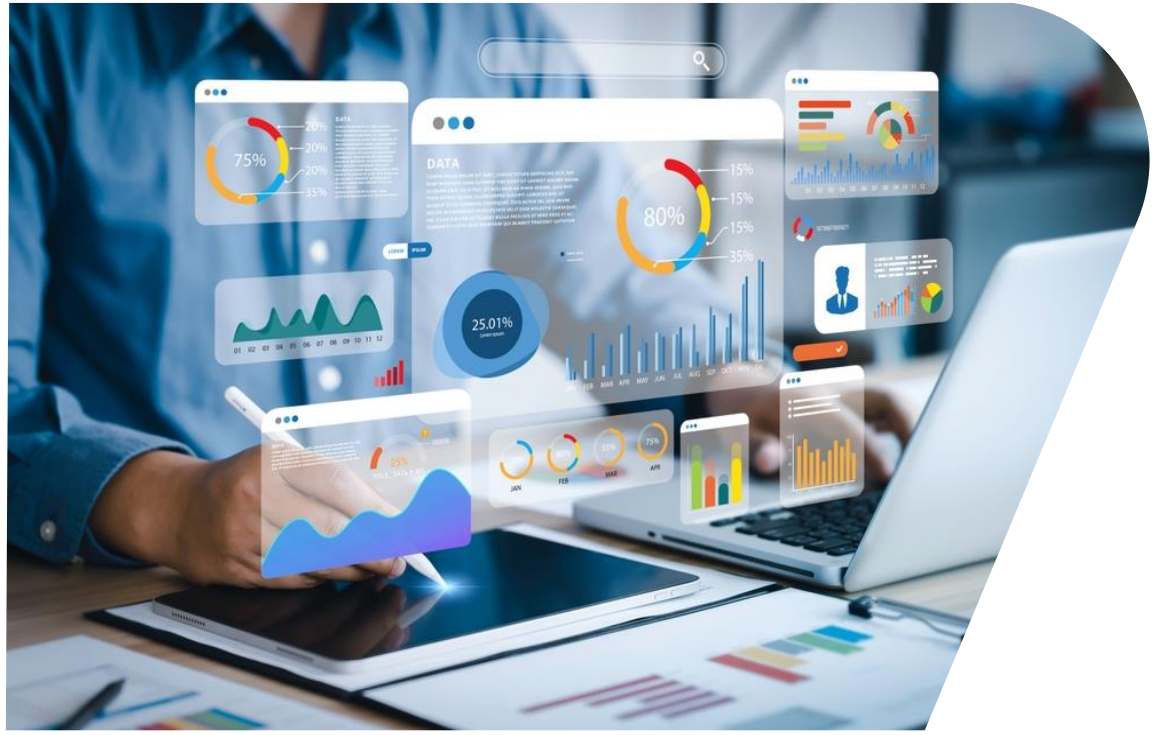
Our Firm and the Engagement Team

Our Firm – By the Numbers

Engagement Team

Engagement Team





Deliverables and Scope of the Audit

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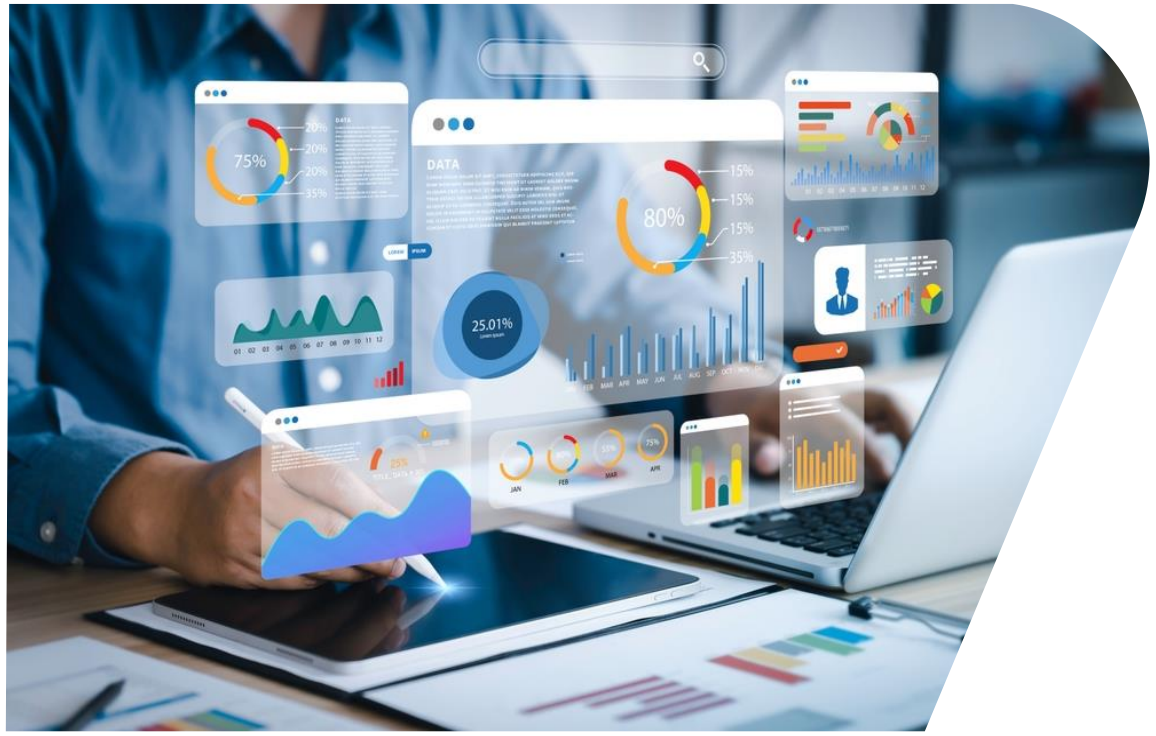


Audit Methodology

Audit Methodology

Planning

Gather information and Finalize Timing.

Interim

Review Systems, Processes and Assess Risk.

Year-End

Test and Validate Significant Account Balances.

Reporting

Prepare Necessary Reports.

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, performed Utility Billing testing, and performed testing on material revenue items by reviewing backup.

Cybersecurity Risk – Risk of Disruptions to IT Systems:

- Tested the backups to ensure existence and effectiveness
- Reviewed IT controls by examining policies and system safeguards
- Assessed management response to evaluate the risk mitigation actions

Areas of Primary Audit Risk

Estimates – Review of Significant Accounting Estimates:

- Fair Value of Investments
- Capital Asset Useful Lives
- Pension related Estimates
- OPEB related Estimates

Auditor's Report and Financial Statements

Auditor's Report

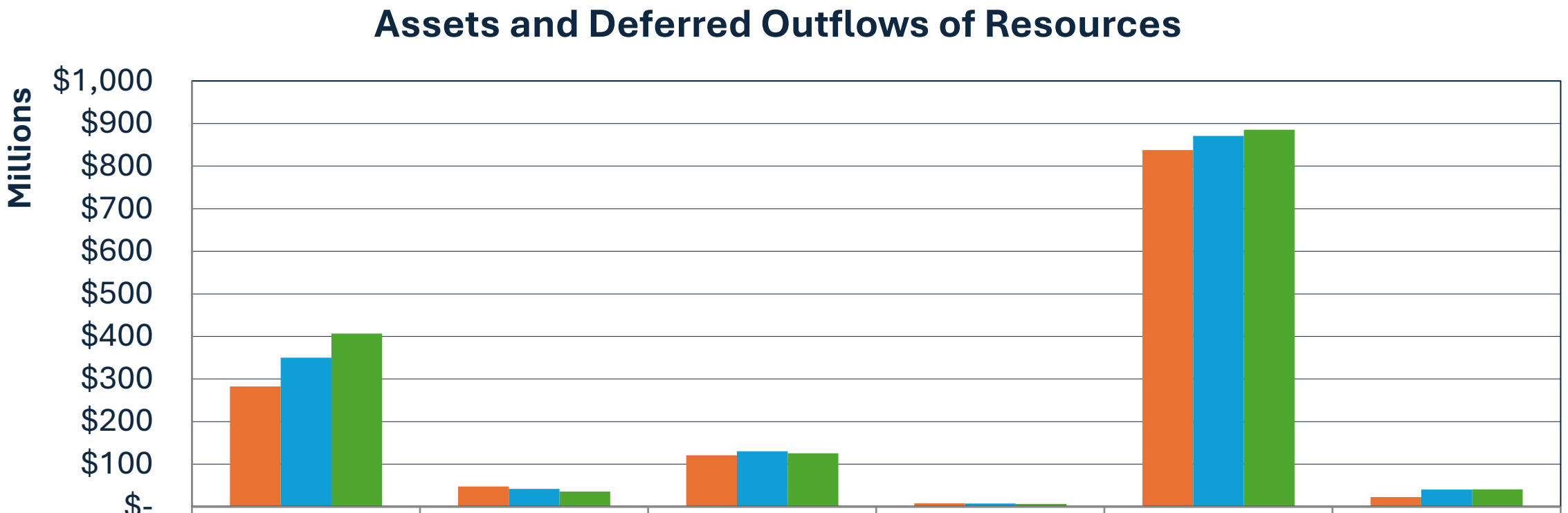
Auditing Standards

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

Unmodified Opinions

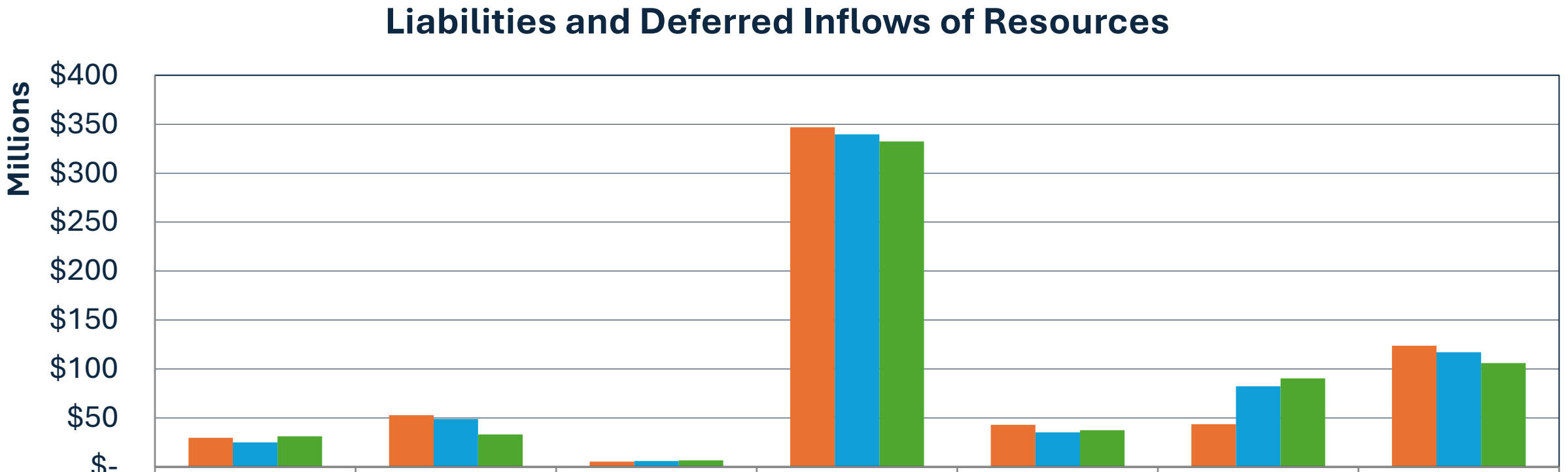
- Financial statements are fairly presented in all material respects
- Significant accounting policies have been consistently applied
- Estimates are reasonable
- Disclosures are properly reflected in the financial statements

Government-Wide Financial Statements



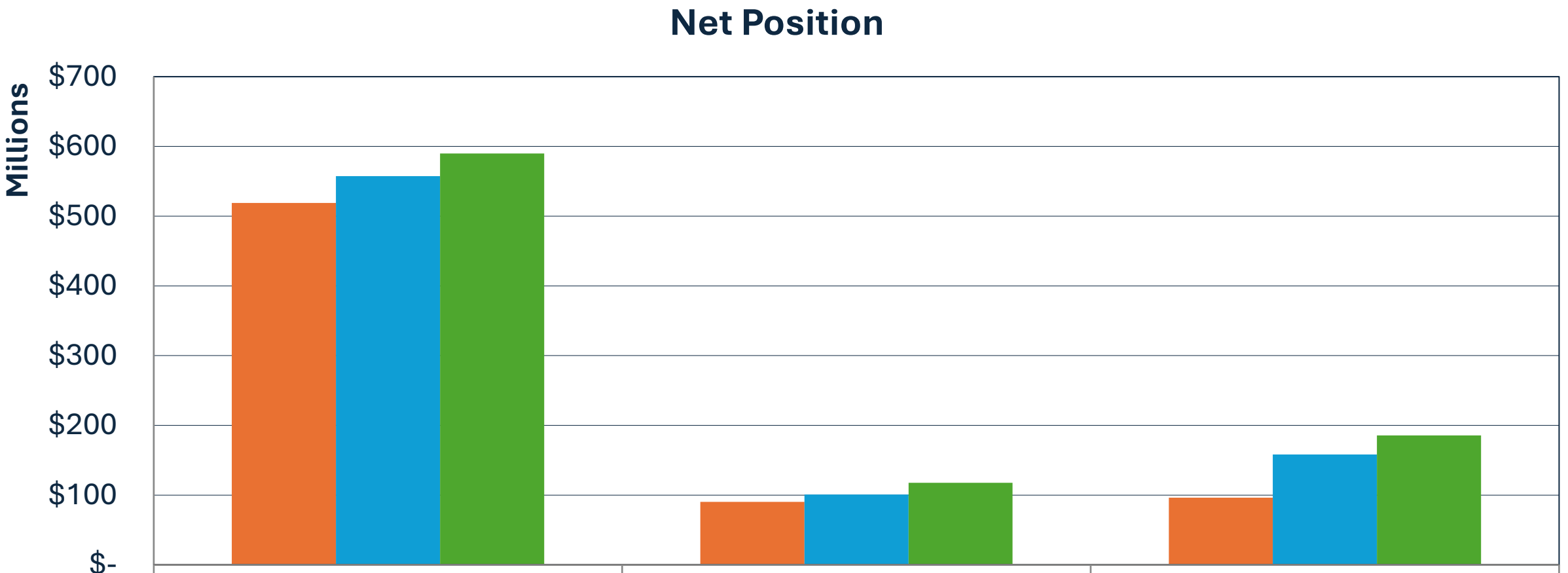
	Cash & Investments	Accounts Receivable	Notes and Leases Receivable	Prepaids, Inventories, and Other Assets	Capital Assets	Deferred Outflows of Resources
2022	$282,509,655	$47,583,211	$121,052,343	$8,199,157	$837,560,265	$22,349,532
2023	$349,796,145	$41,764,606	$130,018,082	$7,587,834	$871,185,369	$40,131,494
2024	$406,670,232	$35,509,980	$125,557,167	$6,299,567	$885,408,723	$40,557,705

Government-Wide Financial Statements



	Accounts Payable & Accrued Liabilities	Unearned Revenue, Deposits, and Other Liabilities	Compensated Absences	Long-term Debt	OPEB Liability	Net Pension Liability	Deferred Inflows of Resources
2022	$29,745,549	$52,757,687	$5,201,002	$346,913,247	$43,024,034	$43,633,367	$123,737,366
2023	$24,944,307	$48,871,407	$6,035,442	$339,619,369	$35,269,463	$82,263,665	$117,130,978
2024	$31,122,284	$33,190,153	$6,600,039	$332,436,141	$37,306,568	$90,464,647	$106,064,045

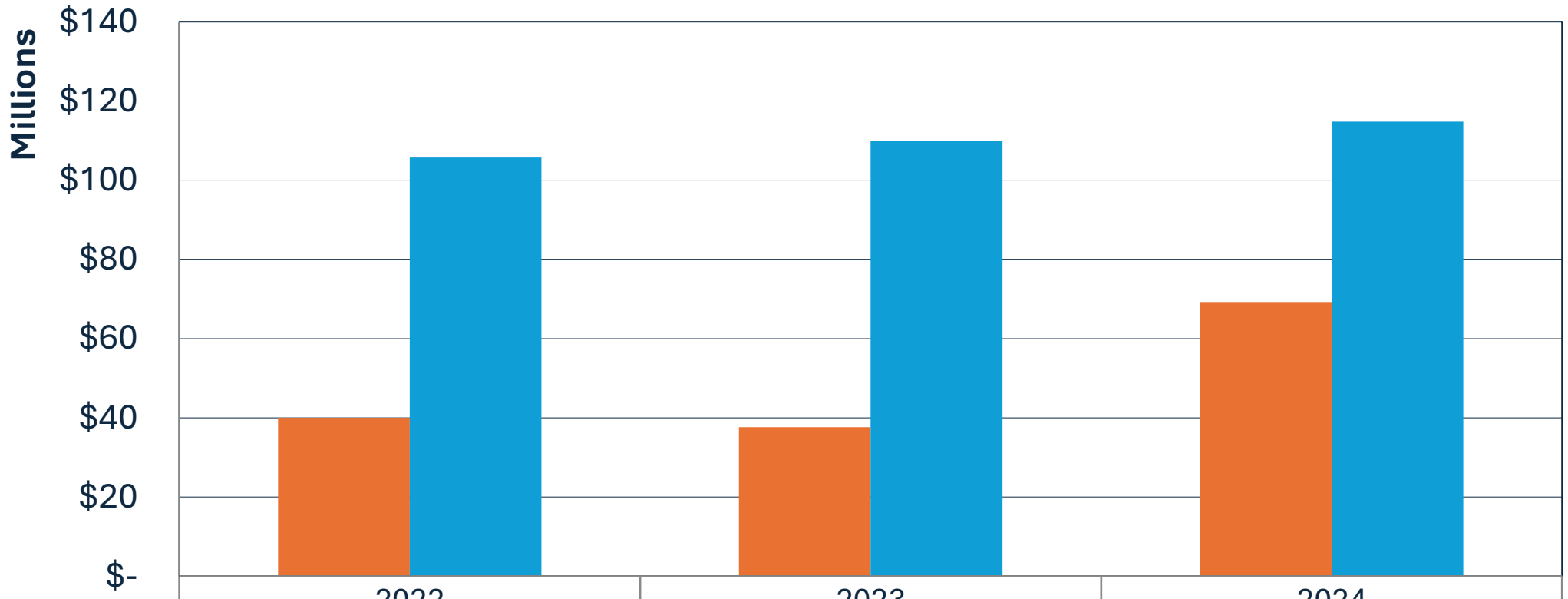
Government-Wide Financial Statements



	Net Investment in Capital Assets	Restricted	Unrestricted
2022	$518,993,069	$90,462,453	$96,362,328
2023	$557,312,795	$100,773,018	$158,409,982
2024	$589,998,561	$117,571,606	$185,570,617

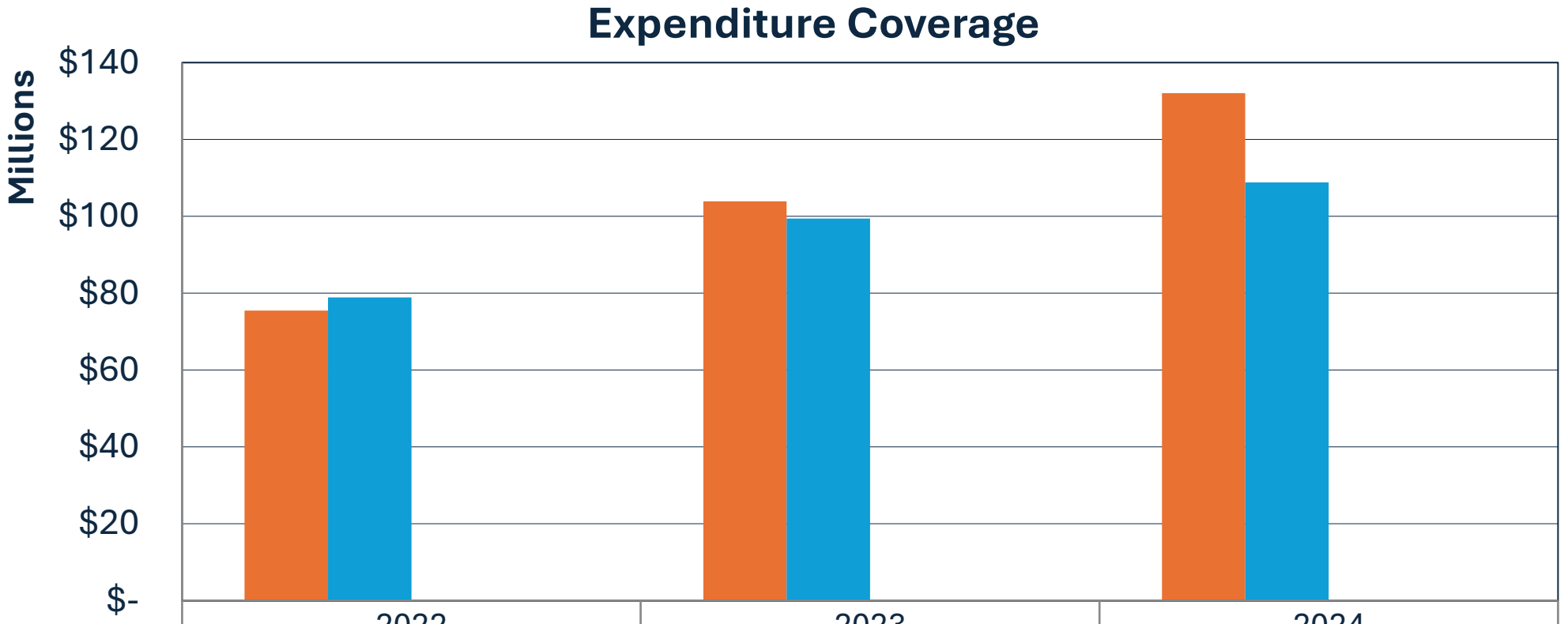
Government-Wide Financial Statements

Net Cost of Service to Tax Revenue - Governmental Activities



	2022	2023	2024
Net Cost of Service	$39,967,317	$37,634,825	$69,192,029
Tax Revenue	$105,714,545	$109,877,170	$114,779,788

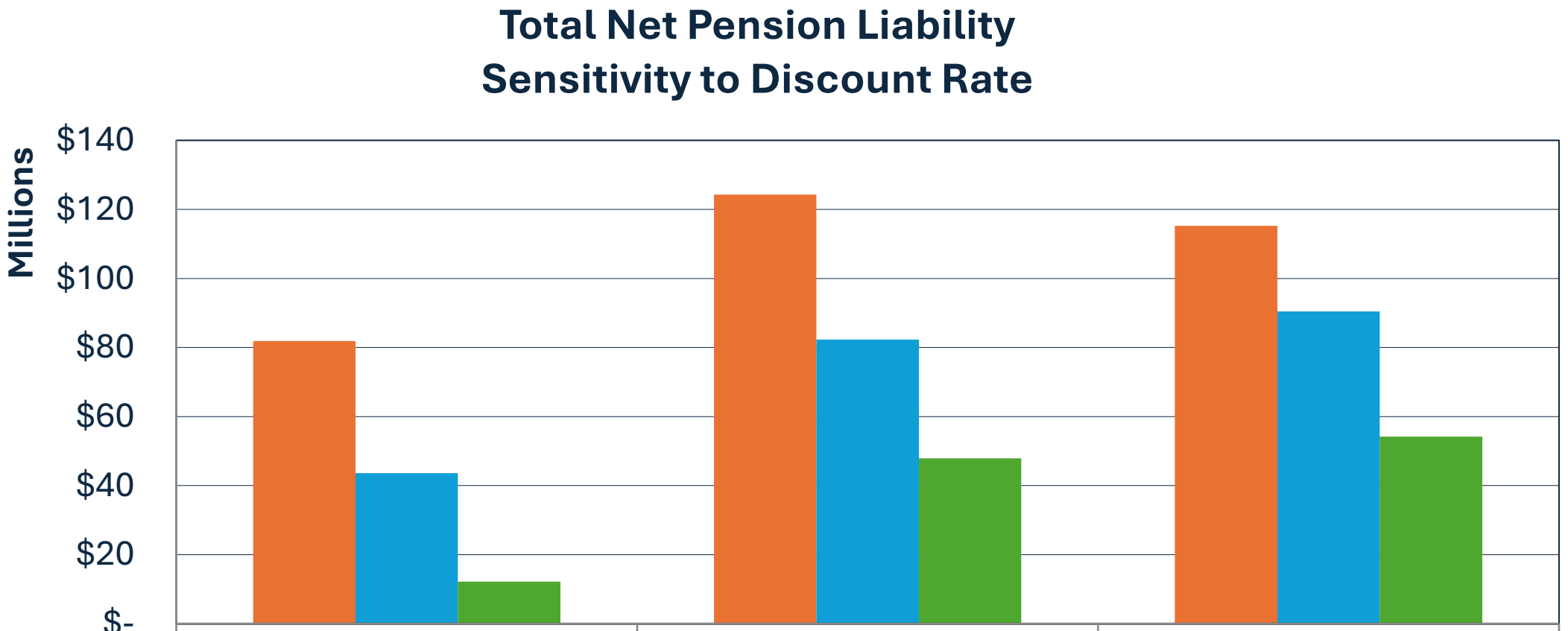
General Fund



	2022	2023	2024
Unrestricted Fund Balance	$75,466,266	$103,869,672	$132,070,172
Total Expenditures	$78,890,656	$99,449,903	$108,854,770
As % of Total Expenditures	96%	104%	121%
Number of Months*	12	13	15

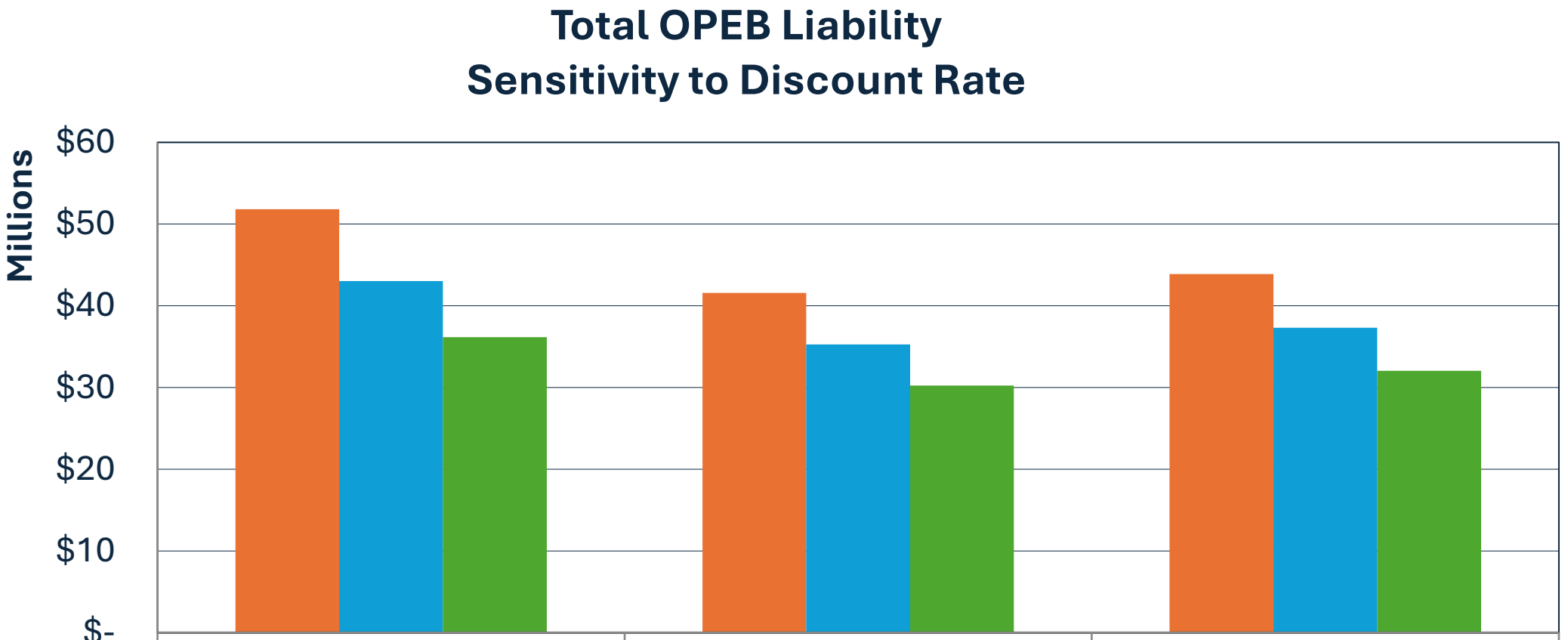
* Measure of the City's ability to operate with no revenues using available fund balance. GFOA recommendation no less than 2 months.

Pension Plans



	2022	2023	2024
1% Decrease	$81,909,165	$124,259,983	$115,246,737
Current Rate	$43,633,367	$82,263,665	$90,464,647
1% Increase	$12,207,986	$47,923,829	$54,167,096

OPEB Plans



	2022	2023	2024
1% Decrease	$51,806,504	$41,566,377	$43,887,855
Current Rate	$43,024,034	$35,269,463	$37,306,568
1% Increase	$36,157,421	$30,235,850	$32,036,781

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 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

- No material weaknesses identified

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 Victorville.