



STAFF REPORT

Motion Accepting Financial Statements for the City of Belmont FY 05-06.

Honorable Mayor and Members of the City Council:

Summary: Approval of this motion will accept the financial reports for the year ended June 30, 2006. Those reports include:

- Comprehensive Annual Financial Report (CAFR)
- Ralston Harbor Holly Grade Separation Project
- Measure A Special Revenue Fund Report
- Southern San Mateo Police Authority
- Agreed Upon Procedures Report on Compliance with Proposition 111 (City)
- Memorandum on Internal Control Structure
- Corrective Action Plan.

Background and Discussion: Pursuant to applicable federal, state and local statutes and provisions of the 1998 Ralston Harbor Holly (RHH) Grade Separation Project Agreement, the City is required to prepare a CAFR, issue various reports and undergo an annual audit to obtain assurance that: 1) the financial statements are not misstated, 2) the City complied with generally accepted accounting principles or required accounting procedures, 3) accounting internal control structures are present to reduce to a relatively low level of risk that errors or irregularities occur, and 4) when applicable, federal financial assistance laws and regulations have been followed.

The CAFR includes the report from the auditors, Maze & Associates. Their report contains a "clean" or unqualified opinion (i.e., the highest level of assurance given on the statements).

Consistent with our goal of providing superior financial information, the CAFR report carries the nationally recognized *Certificate of Achievement for Excellence in Financial Reporting* award designation offered by the Government Finance Officers Association.

In order to facilitate City Council's understanding of the CAFR, an Executive Summary has been prepared and is attached hereto. Furthermore, the CAFR includes a more thorough analysis of last year's financial activity in the Letter of Transmittal and in the MD&A, which includes a summary and description of the report format.

At the conclusion of the annual audit, the auditors prepare a Memorandum on Internal Control Structure to City Council of their findings. This report, which is commonly referred to as the management letter, discusses the City's internal control structure and provides recommendations for improving operational efficiencies. The Corrective Action Plan outlines staff's response to the auditors' comments.

The Finance Commission, serving in their final year as the City's Audit Committee, is scheduled to meet with the auditors at its October 5th meeting. The audit results will be discussed with the auditors, and the Finance Commission will receive a presentation on the financial results from Management. All of the City's financial reports received an unqualified opinion from the auditors, which is the highest level of assurance. In addition, a representative of the Finance Commission will be present at the City Council meeting to answer any questions.

Follow Up:

1. Issue report to interested parties.
2. Post CAFR on City's website.

Fiscal Impact: No fiscal impact.

General Plan/Vision Statement: No impact.

Public Contact: Posting of City Council agenda.

Recommendation: Approve motion accepting financial statements.

Alternatives: Take no action.

Attachments:

1. Executive Summary
2. City of Belmont Comprehensive Annual Financial Report
3. Memorandum on Internal Control Structure
4. Corrective Action Plan

On file and available in the Finance Department:

1. Ralston Harbor Holly Grade Separation Project Report
2. Measure A Special Revenue Report
3. Southern San Mateo Police Authority Report
4. Agreed Upon Procedures Report on Compliance with Proposition 111 (City)
5. Independent Auditor's Report on Management's Assertion (Measure A)

Respectfully submitted,

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Terrence Belanger, Interim City Manager

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