

Minutes of Audit Committee Meeting of October 11, 2018

**One Twin Pines Lane
City Hall, Suite 360
CALL TO ORDER 1:05 P.M.**

ROLL CALL

COMMITTEE MEMBERS PRESENT: Violet, Hurt, Mates

STAFF PRESENT: Finance Director Fil, Controller Chu, Management Analyst Voelker, City Attorney Rennie, Interim Deputy Finance Director Lazzari (by phone)

OTHERS PRESENT: Member of the public; Amy Meyer, Principal, Maze & Associates (Invited)

ORAL COMMUNICATION/PUBLIC COMMENTS

Perry Kennan, Belmont resident, stated that the City should rotate auditors, as it is a good practice. He also posed a question regarding the comparison of the pension payment notes between the fiscal year 2006 and fiscal year 2010 CAFRs.

CONSENT CALENDAR

ACTION: Moved by Committee Member Mates, seconded by Committee Member Hurt, by unanimous voice vote, the June 4th meeting minutes were noted and filed.

OTHER BUSINESS

Fiscal Year 2018 Audit Results

Director Fil provided a summary of the audit results for fiscal year 2018, noting a thorough audit with a new team, and particular attention paid to the labor component. City management is the source of the financial reports (except for the independent auditor's opinion) and the auditor opines on whether those financial reports are presented fairly. The Audit Committee is responsible to oversee this process, verify it is working and communicate that to the Council.

Director Fil reported that there was an unprecedented fund balance increase in revenues, mostly due to Measure I funds. Of note, the City hit its target for revenues and expenditures, indicating that the FY19 Budget is starting on solid foundation. He reviewed capital project expenditures and capital and retirement obligations. Director Fil noted that the City received the highest level of assurance from the independent auditor and was also a recipient again of the GFOA Award for Excellence in Reporting.

Controller Chu reviewed the details of the Comprehensive Annual Financial Report (CAFR), highlighting that revenues exceeded the budget and expenditures were below budget. She also referenced page 99 of the CAFR, where the data shows that Measure I makes up \$1.9M of the

General Fund. Controller Chu gave a brief overview of GASB 75, a new accounting pronouncement requiring the City to report additional retirement obligations as liabilities (CAFR, pg. 21). She noted this is a significance change, as it decreased the City's net position by \$10M. She assured the Committee that the City has built the FY19 Budget to address this. She also noted a small clerical typo on page 17, where the amount under the 2017 column should read \$48,288, but that the subtotal amount is correct.

Principal Meyer began her required communication to the Audit Committee, providing independent verification that the City's financial statements were presented fairly. She reviewed the Memorandum on Internal Control (MOIC) and noted that an unmodified opinion was issued, reporting no material weaknesses or significant deficiencies found in this year's audit.

Principal Meyer stated that the team tested internal controls and noted only a minor wording revision that needed to be made to the City's Investment Policy, which staff remedied immediately. She fielded questions from the Committee and it was noted that, according to best practice recommendations, there was a new partner, new manager and new team of auditors working on the City's audit this year. She confirmed that there were no issues with management and thanked the Finance Department for a successful audit. She also noted that Belmont was the first of their clients to issue their financial statements this early. In response to Chair Violet's question, Principal Mayer confirmed that the auditors found no need to speak with the Committee privately.

The Audit Committee agreed that the CAFR and all related reports were noted and filed.

Perry Kennan, Belmont resident, inquired as to the current General Fund reserve minimum. Chair Violet confirmed that it is still \$5M.

Interim Deputy Finance Director Lazzari stated that she had no additional comments on the audit presentation and disconnected at 2:16 pm.

Financial Policy Updates

By Director Fil's request, the Committee moved Agenda Item 5C before 5B. Director Fil explained that the City's financial policies are part of its governance and are used as a guide in following best practices. They include best practices and advisories from the Government Finance Officers Association (GFOA), the City's Investment Policy, and the City's Procurement Policy. The financial policies are not prescriptive or required, but they do serve to direct the City's decisions in certain circumstances and as a standard by which Belmont endeavors to follow as a best practice city.

Director Fil stated that the Audit Committee received in their packet all newly published and updated GFOA best practices and advisories, which are being added to the City's financial policies, are incorporated into a list in the appendix to the memo for the Committee's review. Staff will

update the City's website accordingly.

ACTION: Moved by Committee Member Hurt, seconded by Committee Member Mates, by unanimous voice vote, the Audit Committee recommended inclusion of the Updated Financial Policies in the Annual Audit Committee Report.

Consideration of Draft Audit Committee Annual Report

The Committee reviewed the draft staff report provided by Chair Violet and requested a minor clerical change. Discussion ensued on an overview of this process.

ACTION: Moved by Committee Member Hurt, seconded by Committee Member Mates, by unanimous voice vote, the annual Audit Committee report was recommended for approval by the City Council.

COMMITTEE UPDATES AND STAFF ITEMS

Meeting Calendar

Chair Violet noted that date and time of the next scheduled meeting in late February or early March is to be determined and will involve a discussion on the upcoming 2019 audit.

ADJOURNMENT 2:29 p.m.

**Thomas Fil
Finance Director**