

In calendar year 2022, Audit Committee, in its 3rd and last of the three-year term, was chaired by Michael Barry and worked closely with the Foster City Finance Team led by Edmund Suen, the city's independent auditors Maze & Associates, and City Council liaison Patrick Sullivan.

Audit Plan Discussion

The Audit Committee began the first meeting of the year by discussing the audit plan for the upcoming fiscal year. This included a review of the scope and objectives of the audit, as well as the identification of high-risk areas that would require special attention. The committee emphasized the importance of a risk-based approach to the audit, which would allow for the efficient allocation of resources and focus on areas of highest concern. The committee members also stressed the importance of maintaining open lines of communication with the city finance team and the external auditors throughout the audit process to ensure a smooth and successful audit.

Review of Completed Audit

Committee members reviewed the completed audit report presented by the external auditors. The report included findings on the city's financial position, compliance with applicable laws and regulations, and the effectiveness of internal controls. The committee was pleased to note that there were no significant findings or material weaknesses identified during the audit. The committee and auditors commended the city finance team for their diligent work and effective management of the city's financial resources. Below is a summary of documents reviewed during the calendar year 2022.

Financial Matter	Finding and Recommendations
FY2021-2022 Foster City/Estero Municipal Improvement District Draft ACFR	None noted
Measure A Report	None noted
Measure W Report	None noted
FY2022-2023 Appropriations Limit	None noted
Memorandum on Internal Control and Required Communications	None Noted
Directed Study: Various Basis Point Increase Scenarios on the Statement of Net Position Ended June 30, 2021	Ordered, Reviewed, and Deliberated.
FY2021-2022 Interim Accounting Issues Memo	None noted

Questions on Financial Statements

The Audit Committee also addressed questions related to the city's financial statements, as presented by the city finance team. The questions focused on the clarity and accuracy of the financial information, as well as the adequacy of disclosures. The finance team provided satisfactory and comprehensive answers to the committee's questions, demonstrating a thorough understanding of the city's financial position and the accounting policies applied.

Internal Processes and Controls

A key area of discussion during the year was the evaluation of the city's internal processes and controls. The committee members and the city finance team engaged in constructive dialogues regarding the design and implementation of internal controls to ensure the reliability of financial reporting and compliance with laws and regulations. The committee emphasized the importance of continuous improvement in this area and encouraged the city finance team to identify any areas where improvements could be made.

Impact of Increasing Interest Rates

The Audit Committee also discussed the potential impact of increasing interest rates on the city's financial position with the auditors. The auditors provided their insights on the possible effects of rising interest rates on the city's debt and investment portfolios, as well as any implications for budget planning and financial management. The discussion, however, remained inconclusive, as the ultimate impact of interest rate changes would depend on various factors, including the timing and magnitude of the rate increases, as well as the city's specific financial circumstances.

Mission Statement

The committee was satisfied with the mission statement determined by the previous Audit Committee: "To provide insights, advice and support into audit, governance, and other relevant fiscal matters appropriate to the oversight, operational and fiduciary responsibilities of the City Council and the Estero Municipal Improvement District Board of Directors."

CY2023 Goals

The Goals were updated as follows: "The current team of the Committee will be in its first year of a 3-year term and shall continue to seek input and requests for areas of interests to work on from the City Council. In calendar year 2023, the Committee shall review proposals from audit firms, select the firms for interview, recommend a firm for City Council approval, review this year's annual audit process and the City's draft financial statements for FYE 2023, and recommend, if any, a directed study to be performed by the independent Auditors ancillary to their audit".

Conclusion

In conclusion, the Audit Committee had a productive year that covered a range of important topics related to the city's financial management and audit processes. The committee expressed confidence in the city finance team's ability to manage the city's financial resources effectively and transparently and looks forward to continuing its oversight role in the future. I would like to thank the members who have raised their hand to participate in our city's governance processes. The committee members' terms all expired at the end of 2022, and three members were reappointed to a three-year term commencing January 2023. We have welcomed two new participants to the committee to add new ideas and perspectives for the upcoming three-year term. I would also like

to thank the city's finance team for their excellent engagement and productivity as custodians of the city's financial resources.