

# City of Montclair

FINANCIAL STATEMENT AUDIT

FISCAL YEAR ENDED JUNE 30, 2021

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PRESENTED BY:  
BRETT VAN LANT  
PARTNER



# Audit Process

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## Preliminary Interim Audit Fieldwork

- Assess the risk the financial statements could be materially misstated due to fraud or error
- Gain an understanding of design and implementation of internal controls over financial reporting including:
  - Cash receipts process, cash disbursements process, purchasing process, payroll process, various other significant audit areas
  - Review specific transactions, observe processes, inquire with City staff throughout the City

# Audit Process – Cont.

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## Year-end Audit Fieldwork

- Audit balances and amounts in the City’s financial statements
- Procedures involve auditor’s judgment based on risk assessment
- Substantive testing of the balances and amounts to provide reasonable assurance
  - Confirmation, testing of transactions, inquiry of City Staff, analytical procedures

# Reports and Letters Issued

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- Audit Report - Opinion on Financial Statements
- Report on Internal Control and Compliance
- Report on the City's Appropriations Limit
- Statement on Auditing Standards (SAS) 114  
Communication Letter
- Single Audit Report on compliance with major Federal Programs

# Audit Report on the Financial Statements

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## Management's Financial Statements

## Auditor's Responsibilities

- Express opinion
  - Reasonable assurance
- Conduct audit in accordance with applicable standards; obtain evidence
- Procedures involve auditor judgment
  - Risk assessment

# Audit Report on the Financial Statements - continued

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Unmodified (clean) Opinion

Required Supplementary Information

- MD&A – not presented, Budgetary schedule, Pension and OPEB schedules
- Limited audit procedures – no opinion expressed

Other Supplementary Information

There were no restrictions imposed by management in performing our audit procedures

# Financial Statement Key Figures

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Governmental Accounting Standards Board (GASB) Statement No. 68 (Pensions)

- City has a Net Pension Liability of \$78.2M, an increase of \$5.1M

Fund Balance for General Fund increased approx. \$4.2M compared to the prior year

Unrestricted Fund Balance in General Fund is approximately 56% of FY 2020-21 expenditures (6+ months reserves)

- GFOA best practices recommends a minimum of 2 months operating reserves

# Financial Statement Key Figures

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Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*

- Statement implemented in FY 2017-18.
- OPEB Liability is \$12M as of 6/30/2021

Actuarially determined liability

- Estimate of future costs for retiree healthcare benefits



# Report on Internal Control and Compliance

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Internal control over financial reporting

Consider internal control to determine what audit procedures to perform

Not to express an opinion

Compliance testing – no opinion

- Test for noncompliance that could have a material impact on the financial statements

No significant deficiencies, material weaknesses or material noncompliance identified in our audit.

# Report on Appropriations Limit

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- Required by Article XIII B of the California Constitution
- Specific procedures to test the calculation for the fiscal year ended June 30, 2021
  - Agreed-Upon Procedures Report

Spending Limit from proceeds of taxes

- City is well below the appropriations limit

# SAS 114 Report

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- Required Communication from auditors directly to “those charged with governance” – City Council
- Estimates
- Sensitive Disclosures
- Difficulties or Disagreements
- Other Audit Findings or Issues

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Thank you to City Staff for their  
cooperation and assistance in  
completing the audit.

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Questions?