

**San Mateo County Transit District (District)
1250 San Carlos Avenue, San Carlos, California**

Minutes of Audit Committee Meeting

December 19, 2023

Members Present: J. Gee (Chair), R. Mueller (arrived at 3:49 pm), J. Powell
(In Person)

Members Present: None
(Via Teleconference)

Members Absent: None

Staff Present: A. Chan, K. Jordan Steiner, A. To, D. Olmeda, J. Cassman, S. van Hoften,
J. Brook, M. Tseng

1. Call to Order

Committee Chair Jeff Gee called the meeting to order at 3:47 pm.

2. Roll Call

Deputy District Secretary Margaret Tseng confirmed that a quorum of the Committee was present.

3. Public Comment

There were no comments.

4. Approval of Minutes of the Audit Committee Meeting of October 26, 2022

Motion/Second: Powell/Gee

Ayes: Gee, Powell

Noes: None

Absent: Mueller

5. Acceptance of Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023

Kate Jordan Steiner, Chief Financial Officer, introduced the auditors who prepared the Annual Comprehensive Financial Report (ACFR): Ahmad Gharaibeh and Joe Escobar, Partners, Eide Bailly LLP.

Committee Member Ray Mueller arrived at 3:49 pm.

Mr. Escobar provided the presentation, which included an assessment of SamTrans' long-term fiscal health, the audit scope and results, and the auditor's opinions and communications.

Committee Member Ray Mueller noted regarding the required supplementary information regarding OPEB (other post-employment benefits) liability, that the auditor is not expressing an opinion or providing an assurance on the information because the limited procedures are not provided with sufficient evidence to express an opinion or provide any assurance. He asked if that is the standard for governmental agencies or if a different practice is applied, depending on the agency. Mr. Gharaibeh said that the audit contains estimates for a ten-year period ending in 2023. He explained that since his firm was not the auditor for that entire period, the audit standard says that they do not need to opine on all ten years and noted that the current year's estimates for OPEB and pension are fairly stated. Committee Member Mueller asked if there was a standard practice that was applied in that instance. Mr. Gharaibeh said all of the past ten years received a clean opinion and the net pension liability is estimated based on life expectancy.

Committee Chair Gee stated that the report noted that the net pension liability increased by \$60 million over a year. Mr. Gharaibeh confirmed that but said a few years ago, the net pension liability decreased substantially due to the Dow Jones impact on the investments with CalPERS (California Public Employees Retirement System). He explained that the number is not fixed but moves based on investment performance, which is a common occurrence for government agencies in the state of California.

Committee Chair Gee said SamTrans receives grant funds from many different grantors, and asked if the audit reviewed each grant to ensure the District is in compliance or if all the grants are reviewed in aggregate. Mr. Gharaibeh said the audit has two components to it: (1) the grants are accounted for separately and appropriately reported on the financial statements, and (2) the District is required to request an audit of a selection of the grants, which includes federal grants and some state grants.

Director Gee asked how many grants the District has. Ms. Jordan Steiner responded that she would follow up with that information.

Mr. Escobar added that the auditing team looked at the financial statements of a sample of grants in terms of materiality. He said regarding compliance audits, they are outside of the current scope of materiality.

Committee Chair Gee asked how the District checks that they are in full compliance with each grantor. April Chan, General Manager/CEO, said a major grantor for the District is the FTA, which conducts a separate audit of SamTrans every three years. She said this triennial audit ensures that the District has complied with all the federal regulations and FTA requirements so that the District can continue receiving FTA grants. She said another major grant source is the Transportation Development Act (TDA) funds and that MTC (Metropolitan Transportation Commission) conducts a triennial audit.

Committee Chair Gee asked if the Audit Committee reviews these triennial audits. Joan Cassman, Legal Counsel, said it is reasonable to expand the scope of the Audit Committee to include review of these triennial reports. Committee Chair Gee concurred there should be

transparency for the Board, and Committee Members Josh Powell and Mueller agreed. Ms. Chan said she and Ms. Jordan Steiner would confer about adding the reports to the Audit Committee's purview in the near future.

Committee Member Mueller noted that for Fiscal Year (FY) 2023, on page 9 of the report, it shows a summary of major capital expenditures adding up to approximately \$12 million but said the total amount appears to be missing. He noted that on the following page, there is a reference to "the \$188 million Capital Budget," and asked what the jump is from FY 2023 to FY 2024. Ms. Chan said capital budgets are not at similar levels year over year, and budgeted amounts are dependent on the capital needs and can be cyclical. She said the \$188 million resulted from the need to replace 108 buses and perform some major facility work. Mr. Gharaibeh said page 9 speaks to the amount expended in FY 2023, while page 10 speaks to upcoming budgets as to what the capital projects will be for FY 2024 and later. Committee Member Mueller asked if the \$12 million included all capital projects or just the major projects. Mr. Gharaibeh said that was the amount that was expended in FY 2023. Committee Member Mueller asked if, for FY 2024, it was the \$188 million plus what has been added since June 2023, which Mr. Gharaibeh confirmed. He said he did not know if the entire \$188 million would be expended in FY 2024 or would be expended later, but they would check that in preparing the ACFR for FY 2024.

Committee Chair Gee asked if SamTrans had a capital reserve policy, and Ms. Chan said they only had an informal policy. Committee Chair Gee said he supported the District having a formal policy, and Ms. Chan concurred. She also noted that staff is investigating upgrading their financial systems, which are over ten years old.

The Committee voted to accept the FY 2023 Annual Comprehensive Annual Financial Report.

Motion/Second: Mueller/Powell

Ayes: Gee, Mueller, Powell

Noes: None

Absent: None

6. Independent Auditor's Comments/Notes

There were no additional comments.

7. Adjourn

The meeting adjourned at 4:18 pm.

An audio/video recording of this meeting is available online at <https://www.samtrans.com/about-samtrans/video-board-directors-cac>. Questions may be referred to the District Secretary's office by phone at 650-508-6242 or by email to board@samtrans.com.