

STAFF REPORT



MEETING DATE:	February 23, 2016
SUBJECT:	Accept Fiscal Year 2014/15 Fiscal and Compliance Audit
AGENDA ITEM:	6-6
STAFF CONTACT:	Dave Wallace, Chief Fiscal Officer

STAFF RECOMMENDATION:

It is recommended that the board of directors accept the fiscal and compliance audit for the year ending June 30, 2015.

DISCUSSION:

Each year an independent auditor performs an audit of SRTA's financial statements and reports on the agency's compliance with applicable laws, rules and regulations. SRTA prepared a Comprehensive Annual Financial Report (CAFR), which represents the highest level of financial reporting for a government agency.

The Pun Group has completed their fiscal and compliance audit of the agency for the year ending June 30, 2015. SRTA received an unqualified audit opinion, meaning that SRTA's financial condition, position, and operations are:

1. In accordance with generally accepted accounting principles;
2. In compliance with statutory requirements and regulations; and
3. Supported by adequate documentation.

The auditor recommends enhanced monitoring to ensure compliance with grant reporting and improvements in the procurement process. The executive director has responded to, and is in agreement with, all findings and recommendations.

The auditor has met with the finance committee to discuss the audit as well as any findings and recommendations. The finance committee recommends acceptance of the audit.

ALTERNATIVES:

The board of directors may accept the audit report and recommendations with specific clarifications.

FINANCING:

Findings in the audit have no impacts on agency finances.

A blue ink signature of Daniel S. Little, consisting of a large, stylized 'D' followed by a series of loops and a long horizontal stroke.

Daniel S. Little, AICP, Executive Director

Attachments: Audited Financial Statements and Supplementary Information

Online at: <http://www.sрта.ca.gov/DocumentCenter/View/2778>



February 5, 2016

To the Board of Directors and Management
of the Shasta Regional Transportation Agency
1255 East Street, Suite 202
Redding, CA 96001

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shasta Regional Transportation Agency ("SRTA") for the year ended June 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and OMB Circular A-133

As stated in our engagement letter dated January 21, 2015, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered SRTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether SRTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about SRTA's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on SRTA's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on SRTA's compliance with those requirements.

Generally accepted accounting principles provide for certain required supplementary information ("RSI") to supplement the basic financial statements. Our responsibility with respect to the Management's Discussion & Analysis ("MD&A"), Budgetary Comparison Schedules, the Schedules of Proportionate Share of the Net Pension Liability and Related Ratios, the Schedules of Contributions, and the Schedule of Funding Progress - Other Postemployment Benefit Plan, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the Schedule of Allocations and Disbursement, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of this supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriations of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SRTA are described in Note 2 to the financial statements.

New Accounting Standards

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See Note 15 for prior period adjustment as a result of implementation.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See Note 15 for prior period adjustment as a result of implementation.

No other new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by SRTA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SRTA's financial statements were:

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the annual other post employment benefit ("OPEB") cost is based on the actuarial valuation. We evaluated the key factors and assumptions used to develop the annual OPEB cost in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 9 – Retirement Plans
- Note 11 – Other Post Employment Benefits
- Note 14 – Commitments and Contingencies
- Note 15 – Prior Period Adjustments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 5, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SRTA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SRTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the MD&A, Budgetary Comparison Schedule – Local Planning Fund, Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions, Schedule of Funding Progress – Other Postemployment Benefit Plan, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

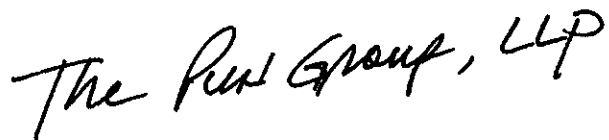
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of the Shasta Regional Transportation Agency
Redding, California
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We were engaged to report on the Schedule of Allocations and Disbursements, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Rate Carryover, the Schedule of Cost Allocation Plan Reconciliation and Indirect Cost Allocation Carryover, and the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Board of Directors and management of SRTA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "The Pun Group, LLP". The script is cursive and fluid, with the letters "Pun" and "Group" being more prominent.

The Pun Group, LLP
Walnut Creek, California