



STAFF REPORT

MEETING DATE:	June 28, 2021
SUBJECT:	Accept Fiscal Year 2019/20 Fiscal and Compliance Audit and Financial Statements
AGENDA ITEM:	5-5
STAFF CONTACT:	Jessica Carlson, Chief Fiscal Officer

STAFF RECOMMENDATION:

It is recommended that the board of directors accept the independent audit and financial statements for the year ending June 30, 2020.

DISCUSSION:

Each year an independent auditor performs a fiscal and compliance audit and reports on the agency's financial statements. The Pun Group has completed their fiscal and compliance audit of SRTA for the year ending June 30, 2020. 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.

Pun Group completed SRTA's FY 2019/20 Financial Statements.

ALTERNATIVES:

The board of directors may accept the audit report and/or the financial statements recommendations with clarifications.

FISCAL IMPACT:

There were no findings in the audit, therefore no impact on agency finances.

FISCAL COMMITTEE REVIEW:

The agency's auditor, Pun Group, has historically met with the Fiscal Committee each year to discuss the results of the audit. Since the FY 2019/20 audit had an unqualified opinion and there were no findings for the fiscal year, the Pun Group did not meet with the Fiscal Committee to discuss and review the audit results. The Pun Group has instead provided a summary correspondence.

A handwritten signature in blue ink that reads "Dan Little".

Daniel S. Little, AICP, Executive Director

Attachments:

A: The Audited Financial Statements and Supplementary Information are available online at:
<https://www.srta.ca.gov/DocumentCenter/View/5563/Independent-Fiscal-and-Compliance-Audit-and-Financial-Statements-FY-201920>

B: The Pun Group Summary Correspondence

June 10, 2021

To the Board of Directors and Management
of the Shasta Regional Transportation Agency
Redding, California

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of Shasta Regional Transportation Agency ("SRTA") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Governmental Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 25, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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. SRTA implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. As a result of implementing GASB Statement No. 95, no other new accounting policies were adopted and the application of existing policies was not changed during 2020. 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 the 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 proportionate share of actuarial valuation on total pension liability and based on proportionate share of the 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 net other postemployment benefits ("OPEB") liabilities is based on the actuarial valuation on total OPEB liability and financial statement on fiduciary net position. We evaluated the key factors and assumptions used to develop the net OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

- Note 2 – Summary of Significant Accounting Policies
- Note 10 – Retirement Plan
- Note 12 – Other Postemployment Benefits (“OPEB”)
- Note 14 – Commitments and Contingencies

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 June 10, 2021.

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 Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits, 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.

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 Shasta Regional Transportation Agency 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 PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California