



Mail
PO Box 5310
Stateline, NV 89449-5310

Location
128 Market Street
Stateline, NV 89449

Contact
Phone: 775-588-4547
Fax: 775-588-4527
www.trpa.org

STAFF REPORT

Date: December 11, 2019
To: TRPA Governing Board
From: TRPA Staff
Subject: Fiscal Year 2019 Audit

Summary and Staff Recommendation:

Staff recommends acceptance of the fiscal year 2019 final audit report and financial statements.

Required Motion:

In order to accept the Financial Statements, the Governing Board must make the following motion:

- 1) A motion to accept the Fiscal Year 2019 Audit

In order for the motion to pass, an affirmative vote of any eight Board members is required.

Background:

The independent audit firm of Davis Farr completed their review of TRPA's Fiscal Year 2019 Financial Statements and issued an unmodified audit report. An unmodified auditor's report means the Agency is compliant with GAAP and GASB accounting standards. A copy of their opinion letter, and SAS 114 Summary of Audit Results is attached.

Advance electronic copies of the audited financial statements will be available to Governing Board members by request, and we will distribute bound copies at the December 18th Governing Board meeting. Fiscal Year 2019 Audited Financial Statements will be available on the TRPA website following acceptance by the Governing Board.

Financial Results:

The following tables summarize the Agency's FY 2019 financial results. The first reflects assets and liabilities, the second revenues and expenses. A detailed discussion of the changes can be found in the Management Discussion and Analysis portion of the audited financial statements.

TRPA net assets increased by \$1.2 million dollars. Liabilities increased by \$0.8 million, yielding an increase in net assets of \$0.4 million. The increase in net assets reflects an operating surplus for the year.

Table 1 - Summary of Statement of Net Position

	2019	2018	Change	%
Assets				
Current & Other Non-Current Assets	15,780,025	14,718,120	1,061,905	7%
Capital Assets	9,337,747	9,175,911	161,836	2%
Total Assets	<u>25,117,772</u>	<u>23,894,031</u>	<u>1,223,741</u>	5%
Liabilities				
Current Liabilities and Other	9,004,338	7,110,437	1,893,901	27%
Unearned Revenue	1,297,412	2,398,278	(1,100,866)	-46%
Long Term Liabilities	8,505,531	8,503,639	1,892	0%
Total Liabilities	<u>18,807,281</u>	<u>18,012,354</u>	<u>794,927</u>	4%
Net Position				
Net Investment in Capital Assets of Debt	2,358,543	2,337,745	20,798	1%
Restricted	2,381,213	2,328,971	52,242	2%
Unrestricted	1,570,735	1,214,961	355,774	29%
Total Net Position	<u>6,310,491</u>	<u>5,881,677</u>	<u>428,814</u>	7%

TRPA revenues increased significantly, by \$1.9 million, or 12%. The increase is due to grants. AIS grants, funded through the Lake Tahoe Restoration Act increased \$0.9M. Transportation grants increased by \$1.4 million. Minor reductions in other grants netted out to the \$2.0 million overall number. Expenses increased by \$1.7 million or 11%. This reflects work performed on those grants. The bulk of the added expenses are in contracts. Compensation costs increased by \$0.5 million, reflecting annual salary and merit reviews.

Table 2 - Revenue, Expenses, Changes in Net Assets

	2019	2018	Change	%
Revenues				
Program Revenues				
Charges for Services	2,897,252	3,094,298	(197,046)	-6%
Grants and Contributions	7,220,626	5,192,557	2,028,069	39%
General Revenues				
State Revenue	6,810,236	6,967,457	(157,221)	-2%
Local Revenue	150,000	150,000	0	0%
Investment Earnings - Unrestricted	332,719	118,337	214,382	181%
Miscellaneous	14,645	30,822	(16,177)	-52%
Total Revenues	<u>17,425,478</u>	<u>15,553,471</u>	<u>1,872,007</u>	12%
Program Expenses				
General Government	2,663,662	3,339,821	(676,159)	-20%
Env. Planning & Implementation	13,775,339	11,323,220	2,452,119	22%
Building Operations	165,719	220,632	(54,913)	-25%
Interest and Debt Service	391,944	391,944	0	0%
Total Expenses	<u>16,996,664</u>	<u>15,275,617</u>	<u>1,721,047</u>	11%
Increase (Decrease) in Net Assets	<u>428,814</u>	<u>277,854</u>	<u>150,960</u>	54%

These numbers are based full accrual accounting and, as a result, are comparable to corporate financial statements. Additional detail by Fund (modified accrual basis) is included in the Financial Statements.

Independent Auditor:

Davis Farr is a specialized audit firm focusing on Government clients. Davis Farr has been our auditor for the past five years. This is the last year left on their contract.

For Fiscal Year 2019, Davis Farr conducted seven audits for TRPA. In addition to the audit of the overall TRPA Financials; a) a single audit for Federal Awards, b) an audit of Proposition 1B (California) grants, c) Placer County Local Transportation Fund, d) El Dorado County Local Transportation Fund, e) El Dorado County State Transit Assistance Fund and f) an audit of the Tahoe Science Advisory Council.

Contact Information:

For questions regarding this agenda item, please contact Chris Keillor at (775) 589-5222 or ckeillor@trpa.org.

Attachments:

- A. Auditor's opinion letter
- B. SAS 114 Summary of Audit Results

Attachment A

Auditor's opinion letter

SUMMARY OF AUDIT RESULTS

Operations and Governance Committee
Tahoe Regional Planning Agency
Stateline, Nevada

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Tahoe Regional Planning Agency (TRPA) as of and for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and 2 CFR 200 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 dated June 19, 2019. Professional standards also require that we communicate to you the following information related to our audit.

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 TRPA are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by TRPA 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 TRPA's financial statements were:

- Management's estimate involving the useful lives and depreciation methodology to use for capital assets is based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to TRPA.
- Management's estimate of the accruals for goods or services received, but for which invoices have not yet been received by vendors is based on communication with the vendors for quoted amounts; and

- Management's estimate of employee usage of accumulated vacation and/or compensatory leave balances within the next year is based on the nature of the leave and actual experience of prior year usage.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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 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 and received certain representations from management that are included in the management representation letter dated December 10, 2019.

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 TRPA'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 TRPA'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* and the *Budgetary Comparison Schedules* for the major funds, 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 combining and individual nonmajor budgetary comparison schedules, 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 the Board of Directors and management of TRPA and is not intended to be and should not be used by anyone other than these specified parties.



Irvine, California
December 10, 2019

Attachment B

SAS 114 Summary of Audit Results

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tahoe Regional Planning Agency
Stateline, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tahoe Regional Planning Agency (TRPA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise TRPA's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of TRPA, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of TRPA for the year ended June 30, 2018 and we expressed an unmodified audit opinion on those financial statements in our report dated December 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules for the General Fund and each major Special Revenue Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise TRPA's basic financial statements. The combining financial statements and individual nonmajor budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and individual nonmajor budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of TRPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TRPA's internal control over financial reporting and compliance.



Irvine, California
December 10, 2019