



Date: Tuesday, August 8, 2023

Honorable Mayor and Council Members

Author and title: Nicole Casey, Administrative Services Director

Title: **Acceptance of the Annual Comprehensive Financial Report and Audit Reports for Fiscal Year 2021/22**

Jen Callaway, Town Manager

Recommended Action: That Council accepts the Town of Truckee Annual Comprehensive Financial Report (ACFR), Audit Report, Single Audit, and review of the Appropriations Limit for the year ended June 30, 2022.

Background: The Town issued a Request for Proposals (RFP) for auditing services in March of 2021 in order to comply with the requirements of the Town's purchasing policies that the purchase of services be based on informal bids wherever practical. The Town had not completed an RFP for audit services in a number of years and endeavored to ensure that the Town was getting high quality audit services at a competitive price. Three firms were interviewed and ultimately staff recommended entering into a three-year contract with Mann, Urrutia, Nelson Certified Professional Accountants (MUN CPAs) with the option of renewing for two additional fiscal years.

The auditors performed an interim audit on site in July and then a final audit in the late fall of 2022. After the audit team collects its information, the issues discovered, if any, are presented as audit findings as part of the ACFR.

Discussion: Town staff has prepared the Town's ACFR for the fiscal year ended June 30, 2022, using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. An ACFR is management's representation of the finances of the Town and accordingly, management assumes full responsibility for the completeness and reliability of the information presented in the ACFR.

To provide a reasonable basis for making representations, management establishes internal controls, or processes and procedures that are designed to protect the Town's assets from loss, theft, or misuse, and that allow management to compile sufficiently reliable information. The cost of internal controls, whether that be monetary or in staff time, should not outweigh the benefits. Therefore, management designs internal controls to provide reasonable, rather than absolute, assurance regarding the Town's financial transactions.

The ACFR is prepared using Generally Accepted Accounting Principles (GAAP), which is guidance on the best practices for financial reporting and presentation of financial transactions. The GASB, an independent private-sector organization, prepares GAAP standards for the U.S. state and local governments.

State of California statutes and the requirements of the ACFR mandate that the Town undergo an annual independent financial audit. The independent auditing firm, MUN CPAs ("auditors"), examined

on a test basis, evidence supporting the amounts and disclosures in the financial statements in Attachment A.

The auditors also considered the internal controls implemented by management, in order to ensure their examinations had a reasonable chance of discovering internal control deficiencies, if any, in relation to the accuracy of financial data produced by the Town. If a deficiency is identified, the auditors can issue a management letter indicating the severity of a deficiency and recommend improvements. No such letter was issued for the fiscal year ended June 30, 2022. This is the outcome we strive for.

Highlights of the ACFR results are as follows:

Independent Auditor's Report (pages 7 & 8)

After completing their examinations, the auditors provide an opinion on the annual comprehensive financial statements and the results thereof. The Town received an "unqualified" opinion on the attached ACFR, which is the highest level of assurance an auditor can provide relative to the fairness and accuracy of the financial statements being presented. This opinion indicates that the auditors believe that the Town's financial practices are in compliance with GAAP requirements and recommendations, as well as applicable laws and regulations. It also provides reasonable assurance that the statements are free from material misstatements.

Management's Discussion and Analysis (MD&A) (pages 11 to 20)

Page 11 of the ACFR beings the MD&A section or the report wherein summaries are presented for the Town on an entity-wide basis. Information is provided in this section with year-to-year view, explaining how fund balances have changed between fiscal years ending June 30, 2021, and June 30, 2022.

Statement of Net Position (page 23)

The Statement of Net Position serves as a useful indicator of a government's overall financial position. The Town's governmental activities net position is \$285.6 million at fiscal year-end as compared to \$263.7 million the prior year, an overall increase of \$21.9 million. A large portion of this increase is related to an increase in capital assets.

The Town's business-type activities (parking, building, transit, and solid waste) net position decreased from \$7.4 million to \$6.7 million, a decrease of \$0.7 million. This decrease is primarily related to a \$1 million contribution by the Parking fund to purchase an easement from the Union Pacific Railroad for a parking lot on West River Street.

The largest portion of net position entity-wide, \$184.2 million, is the Town's investment in its capital assets and infrastructure, net of related debt. Restricted assets of \$36.3 million are resources that are subject to restrictions on how they may be used, including various contingencies and future capital needs.

Basic Financial Statements including Footnotes (pages 23 to 89)

This section contains basic financial statements, including the "Government-Wide" statement of net position and statement of activities, financial statements for the fund types including governmental funds, proprietary funds, and fiduciary funds.

The footnotes section provides details on significant items such as the Town's cash and investments (note 3 beginning on page 63), its long term obligations related to bonds payables and compensated absences, a review of changes in capital assets, the net present value of operating leases, the net pension liability for the Town's miscellaneous and safety pension plans (note 4 starting on page 73), and a discussion of the Town's other post-employment benefit plans (note 4 starting on page 79).

Required Supplementary Information (pages 90 to 105)

This section provides budgetary comparison schedules for major funds that are budgeted. These schedules show the original adopted budget, the budget as amended at year-end, and the actuals for the year. This section also provides a deeper discussion and review of pension plan contributions.

Supplementary Information (pages 108 to 132)

This section provides the financial statements for “non-major” funds. Non-major funds are funds which represent less than 10% of the Town’s total assets, liabilities, revenues, or expenditures. It also provides budgetary comparison schedules for the non-major funds that have a legally adopted budget.

Statistical Section (pages 135 to 150)

This section presents demographic statistics and a ten-year history of financial data for the Town including information on assessed valuations, fund balances, debt, property tax rates, personnel (full-time equivalents), principal employers, and other financial and demographic disclosures.

Single Audit: The auditors also report on the Town’s compliance with OMB Circular A-133, also referred to as the “Single Audit Act” and prepares a schedule of federal awards (SEFA). These reports are required when an entity receives a certain level of federal grant funds. The auditor did not identify any deficiencies in internal controls over compliance that were considered material weaknesses in relation to federal awards (see Attachment B).

Gann Appropriations Limit: Finally, the auditors perform certain procedures related to the Town’s calculation of the annual Appropriations Limit as prescribed in Section 1.5 of Article XIIB of the California Constitution. The calculation of the limit is the responsibility of management. There were no exceptions noted as a result of their limited procedures (see Attachment C).

Priority:

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/> Core Service

Fiscal Impact: None other than the overall positive effect on the Town’s financial operations when a clean audit opinion and no management comments are received.

Attachments:

Attachment A: The Town of Truckee Annual Comprehensive Financial Statements for the Year Ended June 30, 2022

Attachment B: Single Audit Act Report and Communication to Council regarding the audit, as required by SAS 114

Attachment C: Review of the Town of Truckee Appropriations Limit Calculation for the Year Ended June 30, 2022