



STAFF REPORT

Report To: Board of Supervisors

Meeting Date: 12/21/2017

Staff Contact: Jason Link , Chief Financial Officer (npaulson@carson.org)

Agenda Title: Presentation Only: Eide Bailly will present the letter to those charged with governance in connection with the annual audit of the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. (jlink@carson.org)

Staff Summary: Eide Bailly, LLP has been contracted to conduct an audit of the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. Generally accepted auditing standards require the auditor to provide those charged with governance information about their responsibilities as well as certain information related to the planned scope, timing and results of the audit.

Agenda Action: Other/Presentation

Time Requested: 20

Proposed Motion

N/A.

Board's Strategic Goal

Efficient Government

Previous Action

N/A

Background/Issues & Analysis

NRS 354.624 requires the City to provide for an annual audit of all of its financial statements. In addition, the opinion and findings of the auditor contained in the report of the audit must be presented at a meeting of the governing body held not more than 30 days after the report is submitted to it (November 30).

The Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017 has been completed by the Finance Department and audited by the City's independent auditors, Eide Bailly, LLP.

Matters included in the letter to those charged with governance include: significant audit findings related to qualitative aspects of accounting practices, difficulties encountered in performing the audit, corrected and uncorrected misstatements, disagreements with management, management representations, management consultations with other independent accountants, other audit findings or issues, and other matters.

Applicable Statute, Code, Policy, Rule or Regulation

NRS 354.624, Title 2 U.S. Code of Federal Regulation (CFR) Part 200, and Generally Accepted Auditing Standards

Financial Information

Is there a fiscal impact? Yes No

If yes, account name/number:

Is it currently budgeted? Yes No

Explanation of Fiscal Impact: N/A

Alternatives

N/A



November 30, 2017

To the Board and Audit Committee
Carson City
Carson City, Nevada

We have audited the financial statements as of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Carson City for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017. Our report includes a reference to other auditors who audited the financial statements of the Airport Authority of Carson City, Nevada and the Carson City Culture and Tourism Authority, as described in our report on the City's financial statements. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 27, 2017 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Carson City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Carson City is included in Note 1 to the financial statements. As described in Note 1, Carson City adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, which enhances disclosures over tax abatements affecting the City's revenue-raising abilities and Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which clarifies presentation of payroll-related measures in required supplementary information. There have been no other initial selections of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the liabilities for pensions and other post-employment benefits.

Management's estimate of the liabilities associated with other post-employment benefits (OPEB) is based on third party actuarial valuations. We evaluated the key factors and assumptions used to develop the liabilities associated with OPEB in determining that they are reasonable in relation to the financial statements taken as a whole, and therefore have placed reliance on the work performed by the actuary. Additionally, we evaluated the employee census data provided to the actuary for accuracy.

Management's estimate of the pension liability is based on actuarial valuations. Actuarial valuations are calculated based on the employee information submitted by the City to the Public Employees' Retirement System of the State of Nevada (PERS). We evaluated the key factors and assumptions used to develop the estimate of the pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

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

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: an entry for the General Fund to decrease an overstatement of cash and liabilities of \$558,652.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated November 30, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Carson City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Carson City's auditors.

The basic financial statements include the financial statements of the Airport Authority of Carson City and the Carson City Culture and Tourism Authority, component units of Carson City, which we consider to be significant components of the basic financial statements. These financial statements were audited by other auditors and we did not assume responsibility for the audits performed by the other auditors, rather have referred to their audits in our report. Our decision to refer to the reports of the other auditor is based upon (1) our evaluation of the materiality of the components with respect to the basic financial statements as a whole; (2) the ability for group management to provide necessary audit evidence with respect to the components; (3) our consideration of the timing requirements of the engagement. Our audit procedures with respect to the components mentioned above included required correspondence with the other auditors, obtaining and reading their auditors' reports and the related financial statements, and other procedures as considered necessary. Our audit procedures with respect to Carson City included obtaining an understanding of Carson City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements of Carson City and completion of further audit procedures.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees, and management of Carson City and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Reno, Nevada

CARSON CITY, NEVADA

Presentation of 2017 Audit Results



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This presentation is intended solely for information and use by the Board of Supervisors and management of Carson City and is not intended to be and should not be used by anyone other than these specified parties.



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Fiscal Year 2017 Highlights



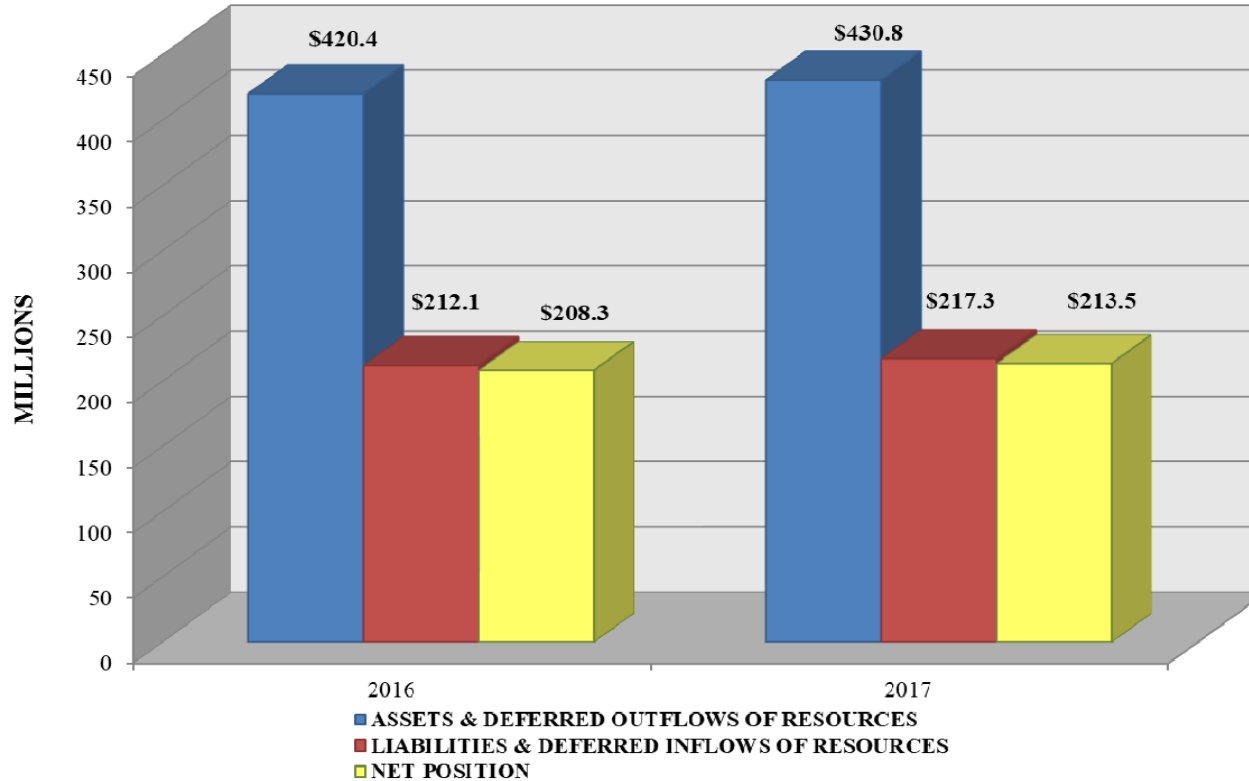
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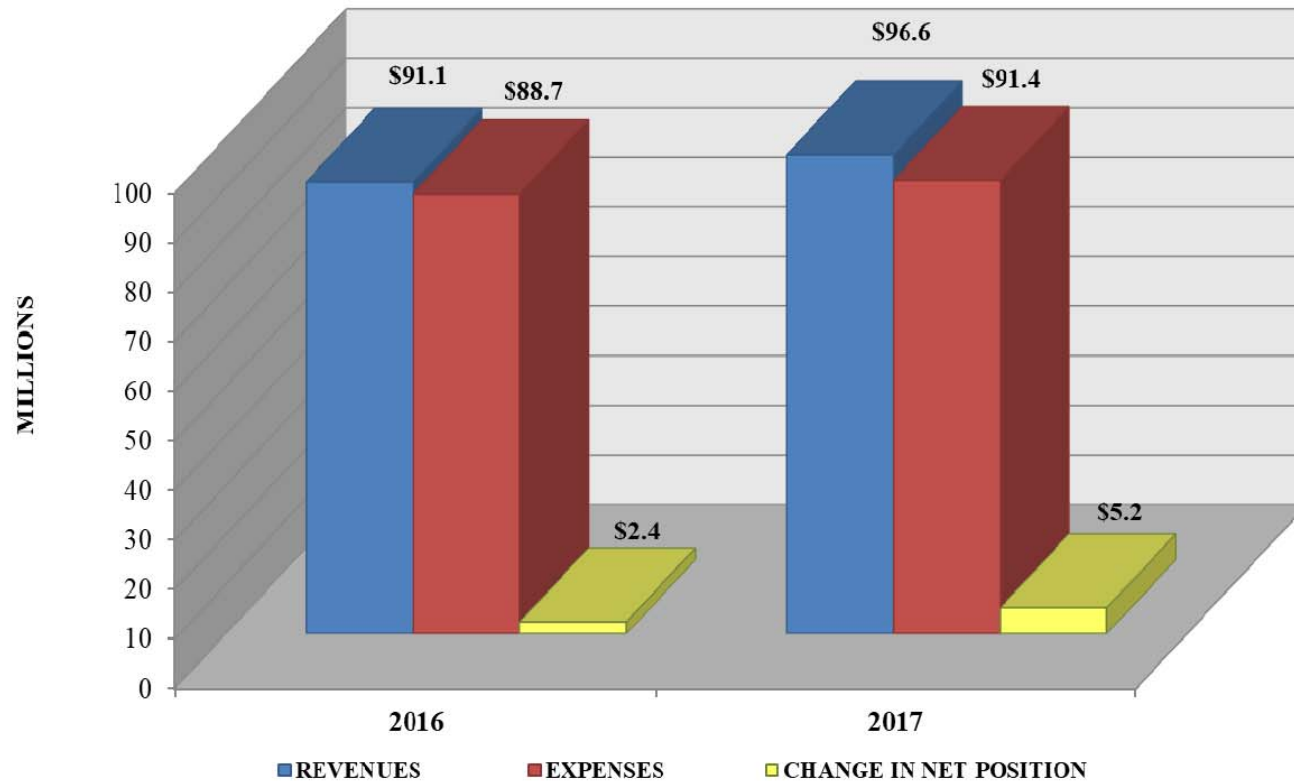
CARSON CITY STATEMENTS OF NET POSITION GOVERNMENTAL ACTIVITIES JUNE 30,



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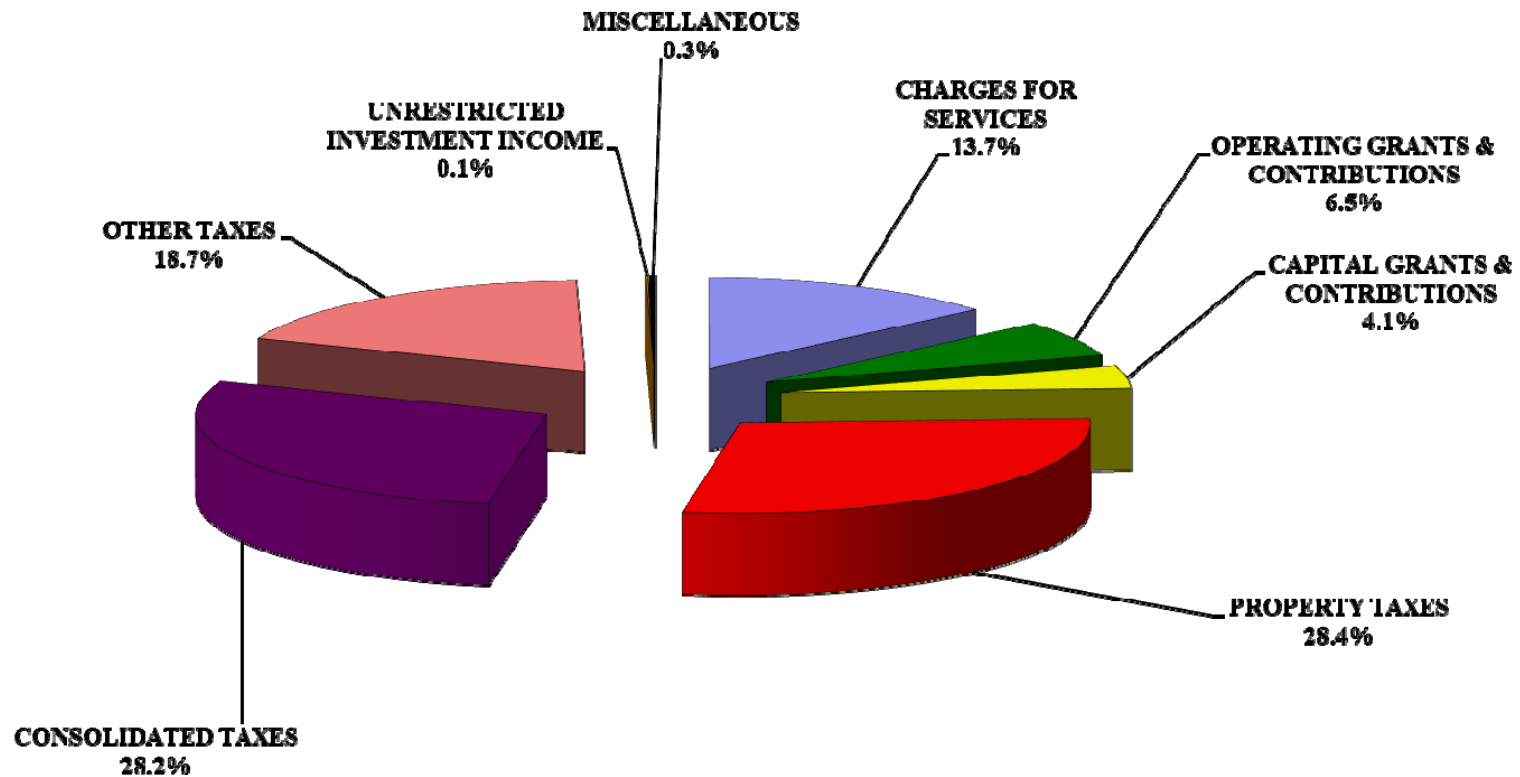
CARSON CITY STATEMENTS OF ACTIVITIES GOVERNMENTAL ACTIVITIES FOR THE YEARS ENDED JUNE 30,



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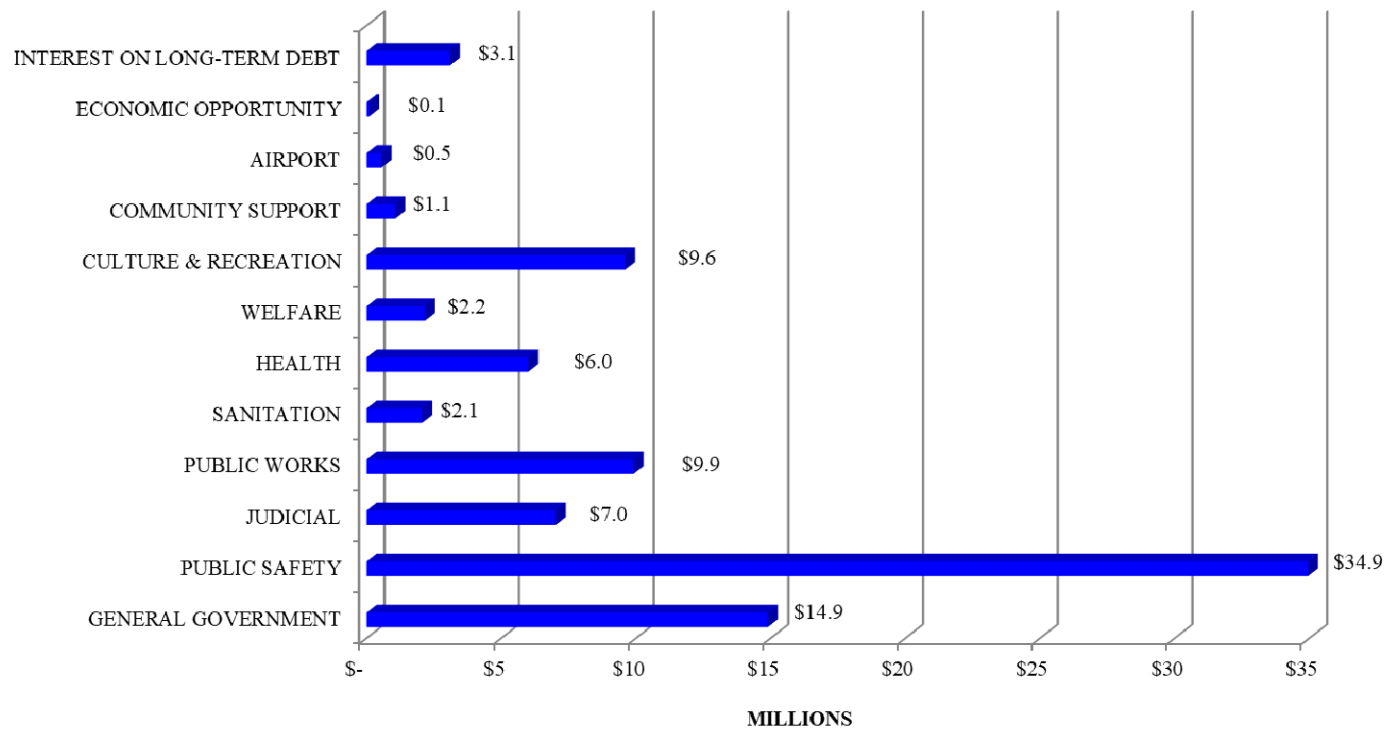
**CARSON CITY
REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**



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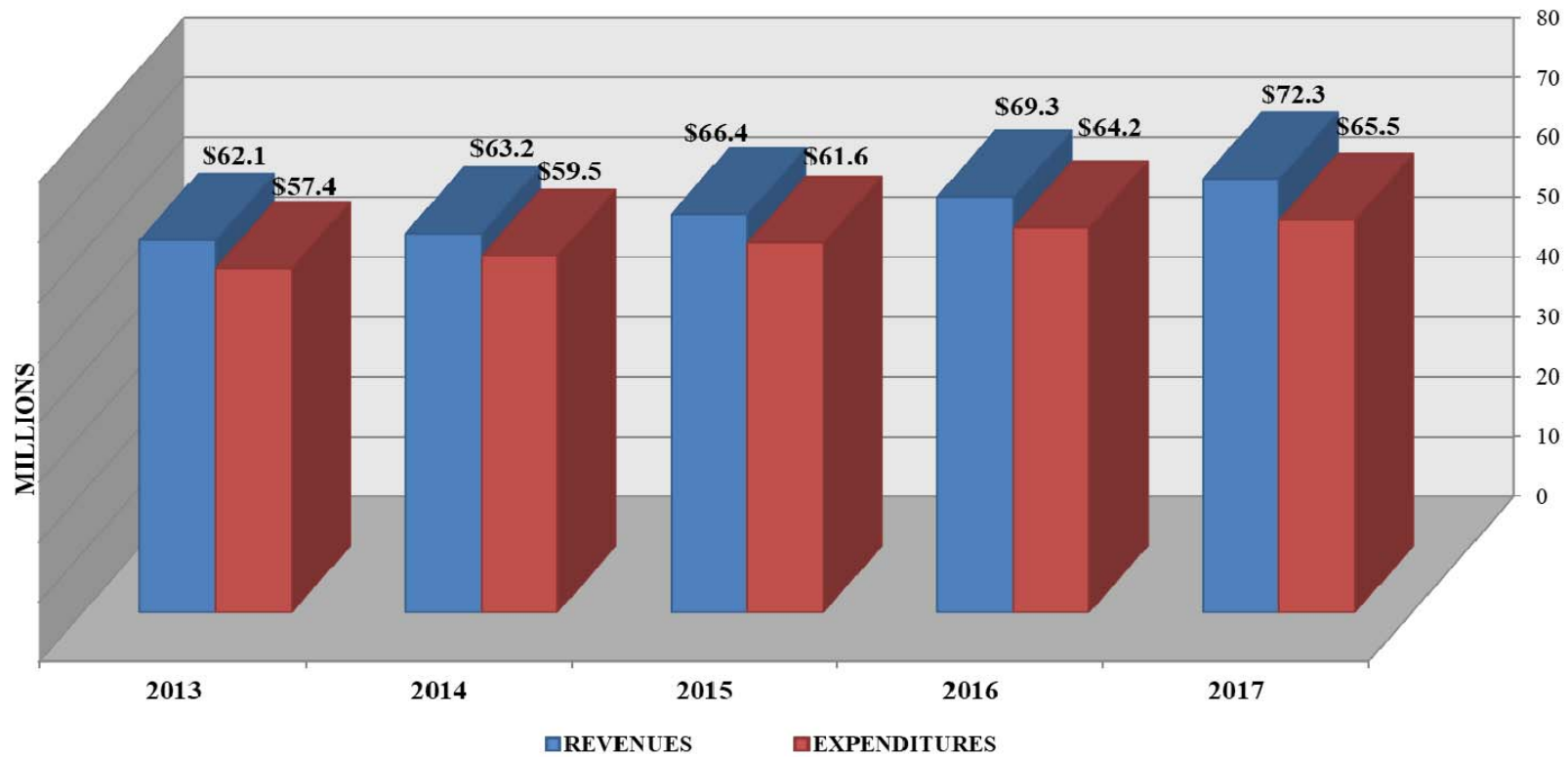
CARSON CITY EXPENSES BY FUNCTION GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017



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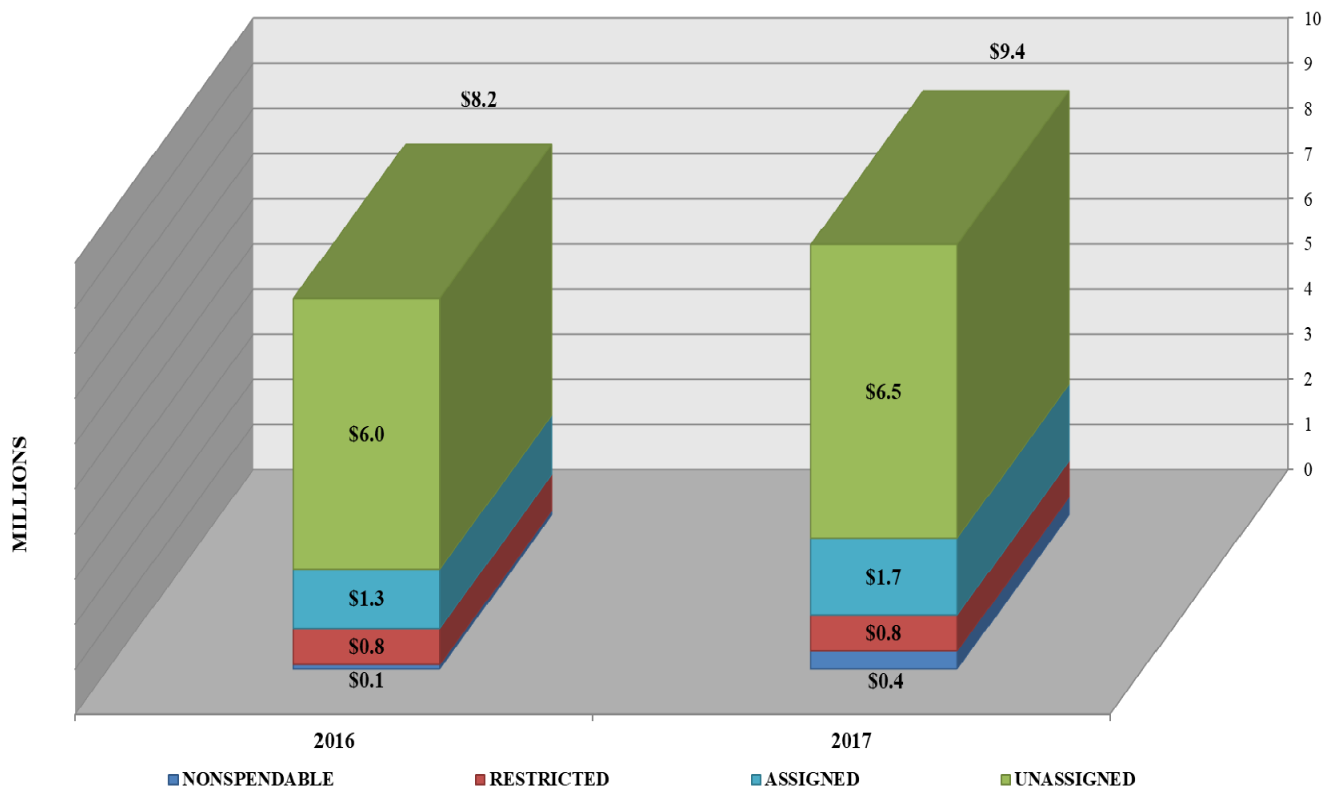
CARSON CITY GENERAL FUND REVENUES VS. EXPENDITURES FOR THE YEARS ENDED JUNE 30,



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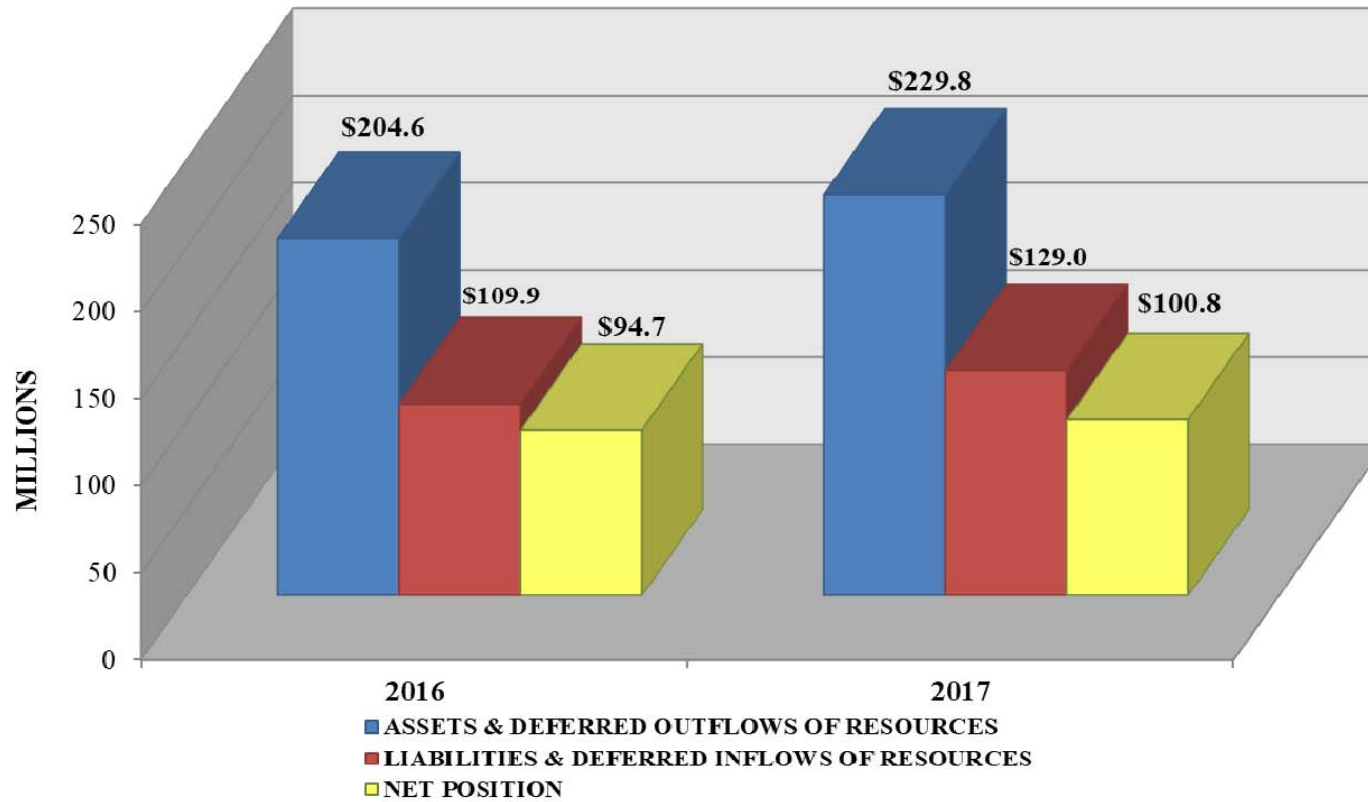
CARSON CITY GENERAL FUND FUND BALANCES FOR THE YEARS ENDED JUNE 30,



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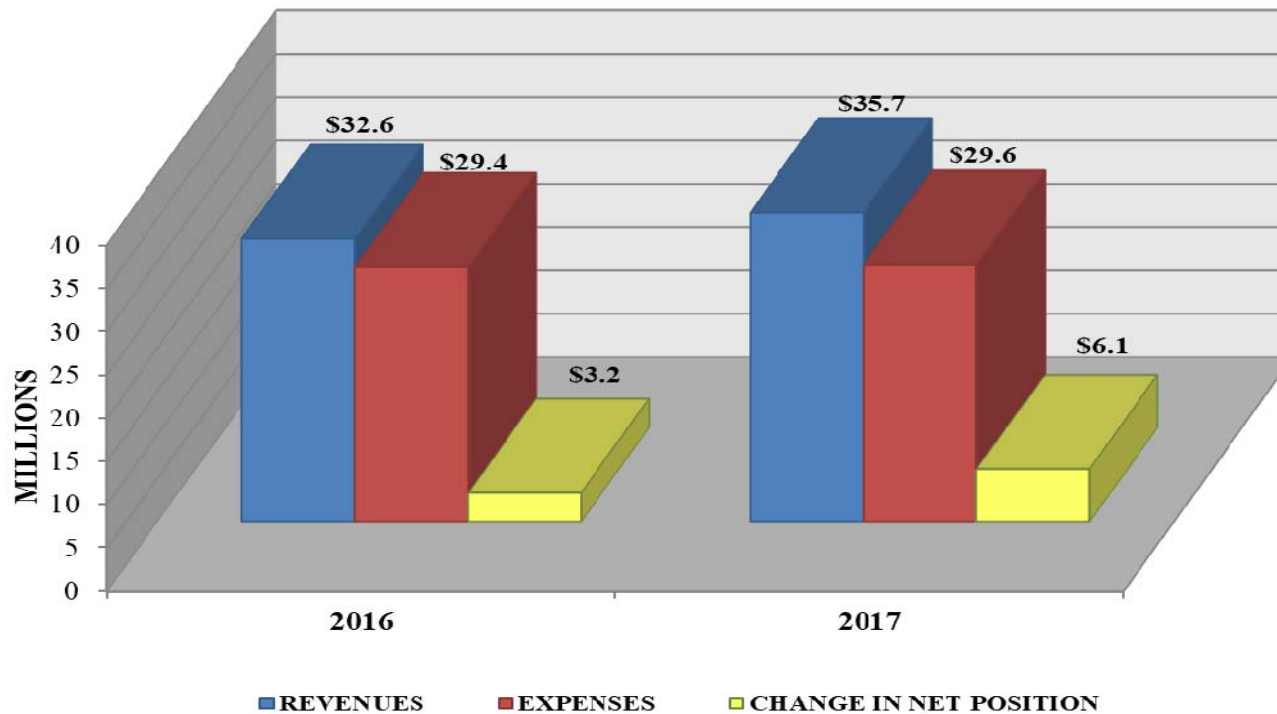
CARSON CITY STATEMENTS OF NET POSITION BUSINESS-TYPE ACTIVITIES JUNE 30,



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CARSON CITY STATEMENTS OF ACTIVITIES BUSINESS-TYPE ACTIVITIES FOR THE YEARS ENDED JUNE 30,



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Summary of Audit Results



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Summary of Audit Results

- ❑ Independent Auditor's Report on the Basic Financial Statements (pgs. 9-11)
- ❑ Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (pgs. 188-189)
- ❑ Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by Uniform Guidance (pgs. 190-192)



Summary of Audit Results

Independent Auditor's Report on the Basic Financial Statements

- Unmodified opinion
- Compliance with NRS and NAC is discussed in Note 2B to the financial statements (pg. 45)

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Summary of Audit Results

Independent Auditor's Report
on Internal Control over
Financial Reporting and on
Compliance and Other
Matters Based on an Audit
of Financial Statements
Performed in Accordance
with *Government Auditing
Standards*

- Not an expression of an opinion
- Two material weaknesses identified
- No significant deficiencies reported

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Summary of Audit Results

Independent Auditor's Report
on Compliance For Each
Major Federal Program
and Report on Internal
Control Over Compliance
Required by Uniform
Guidance

- Modified opinion on compliance
- Not an expression of an opinion regarding internal control over compliance
- Two material weaknesses identified
- No significant deficiencies reported

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Summary of Audit Results

Status of Prior Year Findings

- Prior year reported three findings
- Corrective action has been taken by the City for two of the prior year findings.
- Finding 2016-001 not corrected.

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On the Horizon

Governmental Accounting Standards Board (GASB)
Statement No. 75 – *Accounting and Financial Reporting for
Postemployment Benefits Other Than Pension Plans*

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Questions?



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Thank You!



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