

**City of Carson City
Request for Board Action**

Date Submitted: 12/6/11

Agenda Date Requested: 12/15/11

Time Requested: 20 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director

Subject Title: For Possible Action: Action to accept the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. (Nick Providenti)

Staff Summary: City staff and representatives from Kafoury, Armstrong and Co. will be making a presentation of the City's financial status as well as recommendations for improvement.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does this action require a Business Impact Statement: Yes No

Recommended Board Action: I move to accept the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011.

Explanation of Recommended Board Action: The Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011 has been completed by the Finance Department and audited by the City's independent auditors, Kafoury, Armstrong and Co. City staff and representatives from Kafoury, Armstrong and Co. will be making a presentation of the City's financial status as well as recommendations for improvement. The Finance Department believes this report continues to meet the Certificate of Achievement in Excellence in Financial Reporting from the Government Finance Officers Association.

Applicable Statute, Code, Policy, Rule or Regulation: Nevada Revised Statute 354.624

Fiscal Impact: n/a

Explanation of Impact: n/a

Funding Source: n/a

Supporting Material: Carson City Comprehensive Financial Report for the Fiscal Year Ended June 30, 2011.

Prepared By: Nick Providenti

Reviewed By:

Nick Providenti
(Department Head)

Date: 12/6/11

: [Signature]
(City Manager)

Date: 12/6/11

: [Signature]
(District Attorney)

Date: 12/6/11

: Nick Providenti
(Finance Director)

Date: 12/6/11

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Serving our clients since 1941.

November 30, 2011

To the Honorable Mayor, Members of the
Board of Supervisors and Audit Committee of
Carson City, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carson City, Nevada (City) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 30, 2011. We did not audit the financial statements of the Airport Authority of Carson City, Nevada, or the Carson City Convention and Visitors' Bureau, both of which are discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, 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 1, 2011. 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 the City are described in Note 1 to the financial statements. As described in Note 1D9 to the financial statements, the City changed accounting policies relating to fund balance classifications by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the fiscal year ended June 30, 2011. We noted no transactions entered into by the City 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 financial statements were:

- useful lives of assets determined for depreciation
- valuation of developer dedicated and other donated capital assets
- liability and related disclosures for postemployment benefits other than pensions (OPEB)

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Management's estimate of the useful lives of the City's capital assets is based upon the City's historical usage of its capital assets and consistency with lives utilized by other local governments. Management's estimates of the value of the City's developer dedicated and other donated capital assets is typically based upon the cost incurred by the donor for the capital asset. Management's estimate of the liability for the City's OPEB is based upon third party actuarial analysis. We evaluated the key factors and assumptions used to develop these sensitive estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. A sensitive disclosure affecting the financial statements is Note 4D regarding the liability for postemployment benefits other than pensions.

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. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 reports. 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 November 30, 2011.

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 the City'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.

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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 the City'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 Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the basic financial statements, 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, with the exception of the changes in methodology stemming from implementation of GASB Statement No. 54, 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 basic financial statements or to the basic financial statements themselves.

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

Very truly yours,

Kafoury, Armstrong & Co.

Kafoury, Armstrong & Co.

Carson City
Unadjusted Audit Differences
June 30, 2011

GOVERNMENTAL ACTIVITIES

Description	PJE #	Fund	Assets	Liabilities	Ending Net Assets	Program Revenues	General Revenues	Expenses	Beginning Net Assets
None			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Year	5	N/A	-	-	-	-	-	355,000	355,000
TOTAL			\$ -	\$ -	\$ -	\$ -	\$ -	\$ 355,000	\$ 355,000
FS CAPTION			\$ 336,911,003	\$ 107,179,320	\$ 229,731,683	\$ 74,603,883	\$ 55,119,799	\$ 77,885,002	\$ 177,893,003
PERCENTAGE			0.00%	0.00%	0.00%	0.00%	0.00%	0.46%	0.20%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Governmental Activities taken as a whole. Adjustment deemed not necessary.

BUSINESS-TYPE ACTIVITIES

Description	PJE #	Fund	Assets	Liabilities	Ending Net Assets	Program Revenues	General Revenues	Expenses	Beginning Net Assets
Bond Costs and Amortization	1	Various	\$ (69,556)	\$ -	\$ (69,556)	\$ -	\$ -	\$ (39,950)	\$ (109,506)
Prior Year	2	Water	-	-	-	-	-	440,244	440,244
Prior Year	1	Ambulance	-	-	-	(118,219)	-	-	118,219
TOTAL			\$ (69,556)	\$ -	\$ (69,556)	\$ (118,219)	\$ -	\$ 400,294	\$ 448,957
FS CAPTION			\$ 167,268,109	\$ 71,135,720	\$ 96,132,389	\$ 100,631,789	\$ 308,141	\$ 104,782,272	\$ 96,693,612
PERCENTAGE			-0.04%	0.00%	-0.07%	-0.12%	0.00%	0.38%	0.46%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Business-Type Activities taken as a whole. Adjustment deemed not necessary.

WATER ENTERPRISE FUND

Description	PJE #	Fund	Assets	Liabilities	Ending Net Assets	Op & Nonop Revenues & Cap Contrib	Op & Nonop Expenses	Beginning Net Assets
Bond Costs and Amortization	1	Water	\$ (39,233)	\$ -	\$ (39,233)	\$ -	\$ (22,534)	\$ (61,767)
Prior Year	2	Water	-	-	-	-	440,244	440,244
TOTAL			\$ (39,233)	\$ -	\$ (39,233)	\$ -	\$ 417,710	\$ 378,477
FS CAPTION			\$ 86,063,668	\$ 48,588,708	\$ 37,474,960	\$ 13,107,878	\$ 12,499,303	\$ 36,843,748
PERCENTAGE			-0.05%	0.00%	-0.10%	0.00%	3.34%	1.03%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Water Fund taken as a whole. Adjustment deemed not necessary.

SEWER ENTERPRISE FUND

Description	PJE #	Fund	Assets	Liabilities	Ending Net Assets	Op & Nonop Revenues & Cap Contrib	Op & Nonop Expenses	Beginning Net Assets
Bond Costs and Amortization	1	Sewer	\$ (30,323)	\$ -	\$ (30,323)	\$ -	\$ (17,416)	\$ (47,739)
Prior Year - none			-	-	-	-	-	-
TOTAL			\$ (30,323)	\$ -	\$ (30,323)	\$ -	\$ (17,416)	\$ (47,739)
FS CAPTION			\$ 69,395,395	\$ 16,128,270	\$ 53,267,125	\$ 7,073,548	\$ 8,463,822	\$ 54,686,388
PERCENTAGE			-0.04%	0.00%	-0.06%	0.00%	-0.21%	-0.09%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Sewer Fund taken as a whole. Adjustment deemed not necessary.

NONMAJOR GOVERNMENTAL FUNDS/NONMAJOR ENTERPRISE FUNDS/INTERNAL SERVICE FUNDS/INVESTMENT TRUST FUND/AGENCY FUNDS

Description	PJE #	Fund	Assets	Liabilities	Ending Fund Balance/ Net Assets	Revenues	Expenditures/ Expenses	Beginning Fund Balance/ Net Assets
<u>Nonmajor Enterprise Funds</u>								
Prior Year	1	Ambulance	\$ -	\$ -	\$ -	\$ (118,219)	\$ -	\$ 118,219
<u>Nonmajor Enterprise Funds</u>								
Bond Costs and Amortization (allocated based on balance of debt outstanding)			-	-	-	-	-	-
Prior Year - None			-	-	-	-	-	-
<u>Nonmajor Governmental Funds</u>								
None			-	-	-	-	-	-
TOTAL			\$ -	\$ -	\$ -	\$ (118,219)	\$ -	\$ 118,219
FS CAPTION			\$ 43,438,069	\$ 13,104,744	\$ 30,333,325	\$ 51,850,607	\$ 59,700,396	\$ 35,555,495
PERCENTAGE			0.00%	0.00%	0.00%	-0.23%	0.00%	0.33%

CONCLUSION:

Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Nonmajor Governmental Funds/Nonmajor Enterprise Funds/Internal Service Funds/Trust and Fiduciary Funds taken as a whole. Adjustment deemed not necessary.