

**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
CARSON CITY AUDIT COMMITTEE**

Day: Wednesday
Date: June 3, 2015
Time: Beginning at 3:00 p.m.
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

Agenda

1. Call to Order

2. Roll Call

3. Public Comments and Discussion:

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

4. For Possible Action: Approval of Minutes - March 9, 2015 & April 21, 2015

5. For Possible Action: Adoption of Agenda

6. Discussion regarding the 2014 Comprehensive Annual Financial Report (CAFR).

Summary: Staff and the external auditor will be available to answer questions regarding the 2014 Comprehensive Annual Financial Report. Section 2.14.020 (2) of the Charter states "The Carson City audit committee will maintain an open line of communication with the Board of Supervisors, city management, internal and external auditors; providing direction for the city's audit function and a framework of accountability."

7. For Possible Action: Regarding the Audit Committee's interaction with the external auditor as they prepare for the FY 2015 audit of the City's financial statements.

Summary: Section 2.14.020 (2) of the Charter states "The Carson City audit committee will maintain an open line of communication with the Board of Supervisors, city management, internal and external

auditors; providing direction for the city’s audit function and a framework of accountability.” Staff and the external auditor will discuss the Audit Committee’s role with the external auditor as they prepare for the FY 2015 audit of the City’s financial statements.

- 8. For Possible Action: Regarding monitoring of the Audit Findings Response Tracking Report and possible direction to the internal auditor to report and discuss the monitoring with the Board of Supervisors.

Summary: Representatives from Moss Adams and city staff will discuss Audit Findings Monitoring.

- 9. For Possible Action: To identify, discuss, and provide recommendations to the Board of Supervisors on additional projects to be performed by the Internal Auditor for the period ending June 30, 2016.

Summary: Moss Adams will provide recommendations for future internal audits for the period ending June 30, 2016.

- 10. Discussion and update regarding the City’s Strategic Plan.

Summary: Moss Adams will be providing an update of the Strategic Plan to include items such as suggested dashboards and the key indicators that we will be following and how this will be implemented and monitored.

- 11. For Possible Action: To schedule the next meeting of the Carson City Audit Committee.

- 12. **Public Comment** - The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

13. For Possible Action: To Adjourn

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Agenda Management Notice - Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.
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Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the City Manager’s Office. You are encouraged to attend this meeting and participate by commenting on any agenda item.
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Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the City Manager’s Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775) 887-2100 at least 24 hours in advance.
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This meeting can be viewed on Channel 226. For specific dates and times - www.bactv.org.
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*To request a copy of the supporting materials for this meeting contact
Rachael Porcari at rporcari@carson.org or call (775) 887-2100.*
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*This agenda and backup information are available on the City’s website at www.carson.org,
and at the City Manager’s Office - City Hall, 201 N. Carson Street, Ste 2, (775) 887-2100.*
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This notice has been posted at the following locations:

Community Center 851 East William Street
Public Safety Complex 885 East Musser Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Business Resource & Innovation Center (BRIC) 108 East Proctor Street

Date: May 28, 2015

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Minutes of the March 9, 2015 Meeting
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A meeting of the Carson City Audit Committee was scheduled for 1:00 p.m. on Monday, March 9, 2015 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Member Lori Bagwell
Member Mary Sanada

STAFF: Nick Providenti, Finance Department Director
Adriana Fralick, Chief Deputy District Attorney
Tamar Warren, Deputy Clerk

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary, during the meeting, are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours. Due to malfunction of the digital recorder, the first portion of the meeting was not recorded. The recording secretary kept careful notes, however.

1 - 2. CALL TO ORDER AND ROLL CALL - Chairperson Bertrand called the meeting to order at 1:00 p.m. Roll was called; a quorum was present. Vice Chairperson Prowse was absent.

3. PUBLIC COMMENT - Chairperson Bertrand entertained public comment. Supervisor Jim Shirk suggested scheduling Audit Committee meetings during the evening hours in order to ensure citizen availability.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - August 12, 2014 and November 19, 2014 - Member Sanada moved approval of the minutes. Chairperson Bertrand seconded the motion. Motion carried 2-0-1, Member Bagwell abstaining.

5. POSSIBLE ACTION ON ADOPTION OF AGENDA - Member Bagwell moved adoption of the agenda. Member Sanada seconded the motion. Motion carried 3-0.

6. DISCUSSION REGARDING AUDIT FINDINGS FROM JUNE 30, 2014 COMPREHENSIVE ANNUAL FINANCIAL REPORT (“CAFR”) - Chairperson Bertrand introduced this item, and Mr. Providenti provided an overview of the agenda materials. (1:09:11) Transportation Manager Patrick Pittenger reviewed the findings and corrective actions relative to the federal transit grants, and responded to questions of clarification. Chairperson Bertrand entertained additional questions or comments; however, none were forthcoming. (1:13:45) Mr. Providenti introduced Health and Human Services Department Director Nicki Aaker, who reviewed the findings and corrective actions relative to the Health and Human Services Department. Ms. Aaker and Health and Human Services Department Business Manager Ana Jimenez responded to questions of clarification. Chairperson Bertrand entertained additional questions or comments; however, none were forthcoming.

7. POSSIBLE ACTION REGARDING THE AUDIT COMMITTEE'S ROLE TO REVIEW THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (“CAFR”) AND TO MAKE POSSIBLE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (1:19:43) - Chairperson Bertrand introduced and provided background information on this item. In response to a question, Moss-

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Adams, LLP Policy and Planning Director Mark Steranka related details of a discussion with Vice Chairperson Prowse. Following a brief discussion, consensus of the committee was to reagendaize this item for a future meeting.

8. POSSIBLE ACTION TO APPROVE THE FINANCE REVIEW AND SELECTION COMMITTEE'S RECOMMENDATION FOR CONTRACT AWARD TO EIDE BAILLY, LLP FOR THE CARSON CITY EXTERNAL AUDIT FUNCTION, AND TO AUTHORIZE STAFF TO PREPARE A CONTRACT AND BOARD ACTION FORM FOR BOARD OF SUPERVISORS APPROVAL (1:24:13) - Chairperson Bertrand introduced this item, and Member Bagwell advised that she would abstain from discussion and action on this item due to a conflict of interest. In response to a question, Mr. Providenti reviewed the statements of qualification process, as outlined in the agenda materials.

Chairperson Bertrand entertained a motion. **Member Sanada moved to recommend Eide Bailly to be engaged as the auditors for the next external audit. Chairperson Bertrand seconded the motion.** Chairperson Bertrand entertained discussion on the motion. Mr. Providenti advised of the intent for a three-year, task-based contract. **Member Sanada amended her motion to indicate a three-year contract with Eide Bailly. Chairperson Bertrand continued his second.**

RESULT:	Approved [2 - 0 - 1]
MOVER:	Member Mary Sanada
SECOND:	Chairperson Michael Bertrand
AYES:	Member Sanada, Chair Bertrand
NAYS:	None
ABSENT:	Vice Chair Bill Prowse
ABSTAIN:	Member Lori Bagwell

9. DISCUSSION AND POSSIBLE ACTION REGARDING AUDIT WORK PROGRAM UPDATE (1:28:04) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Mr. Steranka and Mr. Providenti responded to questions of clarification regarding performance metrics, and extensive discussion ensued. Chairperson Bertrand entertained additional committee member questions or comments. Mr. Steranka acknowledged the employee efficiency study is complete, and advised that the report had been presented to the Board of Supervisors in December, 2014. No formal action was taken on this item.

10. DISCUSSION AND POSSIBLE ACTION REGARDING MONITORING OF THE AUDIT FINDINGS RESPONSE TRACKING REPORT, AND POSSIBLE DIRECTION TO THE INTERNAL AUDITOR TO REPORT AND DISCUSS THE MONITORING WITH THE BOARD OF SUPERVISORS (1:50:20) - Chairperson Bertrand introduced this item, and Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials. Mr. Providenti responded to questions regarding details of the contract, between the City and the Carson City Municipal Golf Corporation, and discussion ensued. Mr. Providenti and Mr. Steranka responded to additional questions regarding the fleet management and utilization studies, and extensive discussion took place regarding the

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findings and the process for designating the studies as complete. Chairperson Bertrand entertained additional questions or comments of the committee members and, when none were forthcoming, public comments. When no public comments were forthcoming, he closed the subject item with no formal action.

11. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE AUDIT COMMITTEE (2:17:42) - Chairperson Bertrand introduced this item and, following discussion, consensus of the committee and staff was to schedule the next meeting for Wednesday, April 15th or Tuesday, April 21st.

12. PUBLIC COMMENT (2:24:14) - Chairperson Bertrand entertained public comment. (2:24:30) Supervisor Jim Shirk expressed opposition to holding the committee meeting at any time earlier than 5:30 p.m. Chairperson Bertrand entertained additional public comment; however, none was forthcoming.

13. ACTION TO ADJOURN (2:25:29) - Member Bagwell moved to adjourn the meeting at 2:25 p.m. Member Sanada seconded the motion. Motion carried 3-0.

The Minutes of the March 9, 2015 Carson City Audit Committee meeting are so approved this _____ day of June, 2015.

MICHAEL BERTRAND, Chair

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Minutes of the April 21, 2015 Meeting
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A meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, April 21, 2015 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Vice Chairperson William Prowse
Member Lori Bagwell
Member Donald Leonard
Member Mary Sanada

STAFF: Nancy Paulson, Deputy Finance Director
Sheri Russell, Accounting Manager
Adriana Fralick, Chief Deputy District Attorney
Kathleen King, Chief Deputy Clerk

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the Clerk during the meeting are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (3:00:01) - Chairperson Bertrand called the meeting to order at 3:00 p.m. Roll was called; a quorum was present.

3. PUBLIC COMMENTS (3:00:18) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

4. POSSIBLE ACTION TO ADOPT THE AGENDA (3:00:57) - Chairperson Bertrand suggested modifying the agenda to address items 6 and 7 prior to item 5, and entertained a motion. **Member Sanada so moved. Member Bagwell seconded the motion. Motion carried 5-0.**

5. PRESENTATION BY MOSS-ADAMS, LLP ON THE FINAL REPORT OF THE ASSESSMENT OF INTERNAL CONTROLS FOR THE AUDIT COMMITTEE'S CONSIDERATION; DISCUSSION AND POSSIBLE ACTION TO FORWARD A RECOMMENDATION TO THE BOARD OF SUPERVISORS (3:24:09) - Chairperson Bertrand introduced and provided background information on this item. Moss-Adams, LLP Policy and Planning Director Mark Steranka provided additional background information, and an overview of the subject item. Kim Cook, of Moss-Adams, LLP, reviewed the agenda materials. Ms. Cook, Ms. Paulson, City Manager Nick Marano, and Ms. Russell responded to questions of clarification, and extensive discussion ensued.

Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to accept the report and forward it to the Board of Supervisors. Member Sanada seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote.

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RESULT:	Approved [5 - 0]
MOVER:	Vice Chair Bill Prowse
SECOND:	Member Mary Sanada
AYES:	Vice Chair Prowse, Members Sanada, Bagwell, Leonard, Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

6. DISCUSSION AND POSSIBLE ACTION TO DIRECT STAFF REGARDING THE CURRENT AUDIT WORK PROGRAM UPDATE (3:01:49) - Chairperson Bertrand introduced this item. Moss-Adams, LLP Policy and Planning Director Mark Steranka reviewed the agenda materials, and responded to questions of clarification. Following discussion, consensus of the committee was that no formal action was necessary.

7. DISCUSSION AND POSSIBLE ACTION REGARDING THE POSSIBILITY OF SCHEDULING FUTURE AUDIT COMMITTEE MEETINGS IN THE EVENINGS (3:17:59) - Chairperson Bertrand introduced, provided background information on this item, and entertained discussion. Following discussion, Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to hold the next Audit Committee meeting at 5:30 p.m. Member Bagwell seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote.

RESULT:	Approved [5 - 0]
MOVER:	Vice Chair Bill Prowse
SECOND:	Member Lori Bagwell
AYES:	Vice Chair Prowse, Members Bagwell, Leonard, Sanada, Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

8. POSSIBLE ACTION TO SCHEDULE THE NEXT MEETING OF THE CARSON CITY AUDIT COMMITTEE (4:22:32) - Chairperson Bertrand introduced this item and, following discussion, entertained a motion. **Member Bagwell moved to schedule the next committee meeting for Wednesday, June 3rd at 5:30 p.m. Vice Chairperson Prowse seconded the motion.** Chairperson Bertrand entertained discussion on the motion and, when none was forthcoming, called for a vote.

RESULT:	Approved [5 - 0]
MOVER:	Member Lori Bagwell
SECOND:	Vice Chairperson Bill Prowse
AYES:	Member Bagwell, Vice Chair Prowse, Members Sanada, Leonard, Chair Bertrand
NAYS:	None
ABSENT:	None
ABSTAIN:	None

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9. PUBLIC COMMENT (4:32:44) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

10. ACTION TO ADJOURN (4:33:01) - A motion was made, seconded, and carried unanimously to adjourn the meeting at 4:33 p.m.

The Minutes of the April 21, 2015 Carson City Audit Committee meeting are so approved this _____ day of June, 2015.

MICHAEL BERTRAND, Chair

**Carson City Audit Committee
Agenda Report**

Date Submitted: 05/26/2015

Agenda Date Requested: 06/03/2015

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: Discussion regarding the 2014 Comprehensive Annual Financial Report (CAFR).

Summary: Staff and the external auditor will be available to answer questions regarding the 2014 Comprehensive Annual Financial Report. Section 2.14.020 (2) of the Charter states “The Carson City audit committee will maintain an open line of communication with the Board of Supervisors, city management, internal and external auditors; providing direction for the city’s audit function and a framework of accountability.”

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Discussion Only)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Discussion Only

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation: Carson City Charter

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Questions from Moss Adams??

Prepared By: Michael Bertrand

Reviewed By: Nancy Paulson
(Finance Director)

Date: 5/27/15

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

Carson City 2014 CAFR Review

1. Any changes in accounting practices and policies noted during the FY 2014 audit? There is the adoption of GASB 65, which caused the restatement.

Per Note 1 in City CAFR:

- In fiscal year 2014, the City implemented GASB Statement No. 65, Items Previously Reported as Assets and Liabilities which requires governments to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB Statement No. 63.
 - GASB Concepts Statement No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in Concepts Statement No. 4. Based on those definitions, GASB Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.
 - In fiscal year 2014 the basic financial statements have been adjusted in accordance with GASB Statement No. 63 and No. 65. First, a prior year restatement of the beginning net position to fully expense unamortized debt issuance costs, not related to prepaid bond insurance costs. These were previously classified as noncurrent assets, and expensed as a component of bond issuance costs. Second, unamortized gains or losses resulting from advance bond refunding's, previously reported as an adjustment to long-term bond payable, have been reclassified as deferred inflows of resources and deferred outflows of resources. Finally, delinquent property taxes and delinquent landfill fees are now reported in the General Fund and Other Governmental Funds as a deferred inflow of resources, specifically unavailable revenue-delinquent property taxes and delinquent landfill fees. Property tax revenues are considered "delinquent" when the due date of an assessment has passed and any statutory appeal rights have expired. Landfill fees earned but delinquent are considered delinquent if unpaid within 10 days of the due date.
2. Are there upcoming accounting standards that will require Carson City to change its accounting policies?
 - **GASB 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS—AN AMENDMENT OF GASB STATEMENT NO. 27.** Effective for fiscal year ending June 30, 2015.
Cost-Sharing Employers:
 - In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.
 - A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective

Carson City 2014 CAFR Review

deferred outflows of resources and deferred inflows of resources related to pensions.

- In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees). The portions of the effects not recognized in the employer's pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions to the pension plan subsequent to the measurement date of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.
 - In governmental fund financial statements, the cost-sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
 - This Statement requires that notes to financial statements of cost-sharing employers include descriptive information about the pension plans through which the pensions are provided. Cost-sharing employers should identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities, similar to the disclosures about those items that should be made by single and agent employers. Cost-sharing employers, like single and agent employers, also should disclose information about how their contributions to the pension plan are determined.
 - This Statement requires cost-sharing employers to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.
3. Deferred loss on Refunding of \$3.4 million. What is the rationale for the refunding that resulted in a loss?
- The deferred loss on refunding on the balance sheet is not an indication that the refunding did not provide a savings.
 - There are several different refundings included in the \$3.4 million. (2005, 2009, 2010, 2012, 2013 refundings).
 - The calculation of the deferred amount on refunding is as follows:
 - Reacquisition price (funds required to be deposited in escrow that, together with interest earnings, is necessary to pay interest and principal on the old debt and any call premium)
 - Less: the net carrying amount of old bonds (amount due at maturity, adjusted for any unamortized premium or discount and issuance costs related to the old debt).

Carson City 2014 CAFR Review

- The deferred amount on refunding is required to be amortized in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.
 - GASB concluded that reporting an accounting 'gain' or 'loss' in the period the old debt is refunded not only fails to report the purpose of the transaction, but also distorts operating results in the period the debt is refunded and in subsequent periods." Paragraph 15 of Statement 23 states, "... the difference that results from the refunding is not a separate 'loss' transaction, but rather a reduction of the interest savings to be obtained in the future by substituting the new interest rate for the old." For these reasons, the Board concluded in Statement 23 that the deferral method more appropriately reports the substance of an advance refunding transaction taken as a whole.
 - For example: In 2013, we issued \$26,425,000 in refunding bonds. The calculated present value savings was \$1,475,707 and the deferred loss on refunding was \$2,183,198.
4. Unrestricted funds are at a deficit of \$27.6 million. The majority of the City's equity is in fixed assets. Some funds are restricted but unrestricted is negative. The factors that contribute to this are as follows:
- Net OPEB Obligation of \$13,404,893.
 - The balance of \$10,425,000 in V & T Historical Bonds is not offset by a corresponding asset. These bond proceeds were granted to the NV Commission for the Reconstruction of the V & T Railway when they were issued.
 - Landfill Closure / Post Closure costs of \$3,365,716.
 - Compensated Absences payable of \$5,782,248.
5. In light of the City's investment in capital assets, and the bond activity, what are the bond covenant ratio requirements?
- The only ratio requirement is the debt limit established by NRS which is 15% of assessed value. See attached schedule from the City's CAFR.
 - We do not know of any upcoming accounting standards that when adopted might impact the ratios.
6. Review the investment portfolio against the investment policy. Ideally someone should be ensuring that investments are within policy and state requirements.
- The City's investments are within City policy and NRS as disclosed in the notes to the financial statements. See attached Note 3 from the City's CAFR and the City's investment policy.
7. Pledged revenues to repay bonds at 15%. Are there any additional future revenues to be pledged?
- Consolidated tax revenues are pledged to repay general govt bonds.
 - Water, Sewer and Stormwater Drainage revenues are used to repay their respective bonds issues.
 - Motor vehicle fuel taxes are pledged to repay Highway bonds.
8. What is the City's plan for addressing the OPEB and unfunded pension liabilities?
- The City is in the process of establishing an OPEB trust fund that will be initially funded in FY 16 with approximately \$300,000 from the Group Medical Internal Service Fund. The City hopes to continue to make annual contributions to the trust of approximately 1% of salaries (\$300,000-\$400,000).
 - The new standards for unfunded pension liabilities relate to the accounting and reporting of defined benefit pensions within the GAAP based financial statements of governmental entities. They do not establish requirements as to the actual funding of these benefits.
9. Are there any mgmt. letter comments – Material weaknesses, significant deficiencies and control deficiencies?
- Audit findings and corrective actions from the June 30, 2014 CAFR were presented and discussed at the March 9, 2015 Audit Committee meeting.

Carson City 2014 CAFR Review

- There were no significant deficiencies or material weaknesses noted during the audit of the financial statements.
- There were 5 findings in internal control over compliance with OMB A-133 which were considered significant deficiencies.
- Please see attached plans of corrective action for statutory violations and grant findings.

Carson City, Nevada
 General Obligation (Limited Tax)
 Refunding Bonds
 Savings Calculation (Summary)

3

FY Ending June 30	Refunding Debt Service	Refunded Debt Service	Cashflow Savings(Loss)	PV Savings/(Loss) @ 2.68709%
2013	\$0.00	\$0.00	\$0.00	(\$5.19)
2014	2,050,907.57	2,307,780.00	256,872.43	254,218.22
2015	2,056,236.26	2,306,785.00	250,548.74	240,297.34
2016	999,786.26	1,327,510.00	327,723.74	305,310.07
2017	1,828,986.26	2,095,910.00	266,923.74	242,474.46
2018	1,828,986.26	2,097,735.00	268,748.74	237,597.67
2019	2,188,086.26	2,195,097.50	7,011.24	7,624.67
2020	2,546,786.26	2,554,632.50	7,846.24	8,030.85
2021	2,557,136.26	2,565,351.26	8,215.00	7,989.20
2022	2,570,636.26	2,577,216.26	6,580.00	6,330.79
2023	2,920,556.26	2,928,928.76	8,372.50	7,340.89
2024	2,513,131.26	2,518,531.26	5,400.00	4,755.99
2025	2,508,081.26	2,516,541.26	8,460.00	6,722.93
2026	770,831.26	832,381.26	61,550.00	44,043.44
2027	773,118.76	834,206.26	61,087.50	42,537.56
2028	776,168.76	834,906.26	58,737.50	39,798.79
2029	2,667,887.50	2,674,481.26	6,593.76	4,634.68
2030	2,670,300.00	2,675,193.76	4,893.76	3,269.67
2031	0.00	0.00	0.00	0.00
2032	0.00	0.00	0.00	0.00
2033	0.00	0.00	0.00	0.00
	<u>\$34,227,622.71</u>	<u>\$35,843,187.60</u>	<u>\$1,615,564.89</u>	<u>\$1,462,977.22</u>
		Plus: Miscellaneous	<u>12,730.02</u>	<u>12,730.02</u>
		Total Savings/(Loss)	\$1,628,294.91	\$1,475,707.24

2013 A, B, C Bonds.

**CARSON CITY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2014

Assessed value of taxable property(1)	\$ 1,286,332,269
Debt limit (15% of assessed value)	<u>192,949,840</u>
Debt applicable to limit:	
Governmental activities	\$ 58,015,000
Business-type activities	76,849,370
Less: Amount available for repayment of general obligation debt	<u>(288,000)</u>
Total net debt applicable to limitation	<u>134,576,370</u>
Legal debt margin	<u>\$ 58,373,470</u>

FISCAL YEAR ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt limit	\$ 192,949,840	\$ 214,833,139	\$ 235,045,345	\$ 266,225,881	\$ 288,971,603	\$ 289,552,288	\$ 249,494,536	\$ 219,896,382	\$ 183,981,394	\$ 172,194,764
Total net debt subject to limitation	<u>134,576,370</u>	<u>139,259,606</u>	<u>139,630,037</u>	<u>126,777,285</u>	<u>115,861,274</u>	<u>123,586,941</u>	<u>129,907,245</u>	<u>135,893,548</u>	<u>132,578,239</u>	<u>103,173,131</u>
Legal Debt Margin	<u>\$ 58,373,470</u>	<u>\$ 75,573,533</u>	<u>\$ 95,415,308</u>	<u>\$ 139,448,596</u>	<u>\$ 173,110,329</u>	<u>\$ 165,965,347</u>	<u>\$ 119,587,291</u>	<u>\$ 84,002,834</u>	<u>\$ 51,403,155</u>	<u>\$ 69,021,633</u>
Total net debt subject to limitation as a percentage of debt limit	<u>69.7%</u>	<u>64.8%</u>	<u>59.4%</u>	<u>47.6%</u>	<u>40.1%</u>	<u>42.7%</u>	<u>52.1%</u>	<u>61.8%</u>	<u>72.1%</u>	<u>59.9%</u>

Note: The legal debt limit is set forth in NRS 266.600.

(1) Includes Redevelopment Authority amount of \$47,576,211.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(6)

functions within a fund may be made with the City Manager's approval. Transfers of appropriations between funds, from contingency accounts, or increases in budget appropriations require the approval of the Board of Supervisors or Redevelopment Authority. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for governmental funds and the sum of operating and nonoperating expenses in the proprietary funds. There are no budgetary restrictions in the debt service funds regarding expenditures related to payments of principal and interest on long-term debt. The Board made several supplemental budgetary appropriations throughout the year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Total expenditures exceed those budgeted for the year in the Ambulance Fund by \$8,810, an apparent violation of NRS 354.626.

Total expenditures exceed those budgeted for the year in the Cemetery Fund by \$28,997, an apparent violation of NRS 354.626.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At year end, the City's carrying amount of deposits was \$5,587,811 and the bank balance was \$6,131,744. All of the bank balance was covered by FDIC, SIPC, or collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

The carrying amount of deposits for discretely presented component units was \$1,195,266, and the bank balance was \$1,200,851. All of the bank balance was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name, with the exception of \$72,823 at the Airport Authority and \$360 at the Visitor's Bureau which were uninsured and uncollateralized.

The City has a formal investment policy to establish guidelines for the prudent investment of City funds. Funds of the City will be invested in compliance with the provisions of Nevada Revised Statutes, Chapters 355.167 through 355.200, and other applicable statutes. Allowable investments are described in Note 1.D.1.

At year end, the City had the following investments and maturities:

Investment Type	Fair Value	Less Than 1	Investment Maturities (in Years)		
			1-5	6-10	10+
U.S. Treasuries	\$ 5,940,957	\$ -	\$ 5,940,957	\$ -	\$ -
U.S. Agencies	8,523,053	41,439	6,639,066	1,701,020	141,528
Corporate Bonds	9,258,269	703,087	6,964,048	190,458	1,400,676
Money Market Mutual Fund	643,932	643,932	-	-	-
State of Nevada:					
Local Government					
Investment Pool	7,398,642	7,398,642	-	-	-
Total	\$ 31,764,853	\$ 8,787,100	\$ 19,544,071	\$ 1,891,478	\$ 1,542,204

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states that portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. To this end, portfolio management procedures will provide for the projection of a "minimum liquidity requirement" for the City's operating fund.

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The following procedures will be applied:

- **Minimum Liquidity Requirement:** This is defined as the total cash flow needed to pay City obligations for a period of four weeks. All securities to be included in the "minimum liquidity requirement" must mature within 28 days.
- **Intermediate Market Investment:** That portion of City funds remaining after deletion of the "minimum liquidity requirement" may be invested in the intermediate market, defined herein as instruments maturing between zero and ten years.
- **No U.S. bonds, debentures, bills, notes, agency obligations or other securities,** including those used as collateral for repurchase agreements, may have a maturity date of more than 10 years from the date of purchase. Securities purchased by money managers under the provisions of NRS 355.171 may have a longer stated maturity date.

Credit Risk. Funds invested with the State of Nevada Treasurer in the Local Government Investment Pool may be invested as permitted by Nevada Revised Statutes. City policy does not further restrict these investments. As of June 30, 2014, the City's investments in U.S Agencies were rated AA- by Standard and Poor's and A1 by Moody's Investors Service. The City's investment in the State of Nevada Local Government Investment Pool is an unrated external investment pool with an average duration of 80 days. The City's investments in corporate bonds were rated as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Moody's	\$3,330,506	\$ 582,680	\$3,313,155	\$2,031,928
S&P	3,720,952	1,200,073	2,601,199	1,736,046

Concentration of Credit Risk. The City's investment policy states that no more than 20% of the total book value of the portfolio will be invested in a single security type with the exception of U.S. Treasury and government agency securities.

At June 30, 2014 the following investments exceeded 5% of the City's total:

Federal National Mortgage Association	\$5,528,381	17.40%
Federal Home Loan Mortgage Corporation	2,226,254	7.01%

At year end, the discretely presented component units' investments and maturities were as follows:

	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
State of Nevada Local Government Investment Pool	<u>\$ 423,477</u>	<u>\$ 423,477</u>

A reconciliation of cash and investments for the primary government follows:

Cash on hand	\$ 7,184
Carrying amount of deposits	5,587,811
Carrying amount of investments	<u>31,764,853</u>
	\$37,359,848
Less: Carrying amount of deposits held for component unit	<u>(3,078)</u>
	<u>\$37,356,770</u>
Cash and investments – governmental activities	\$23,086,901
Cash and investments – business-type activities	5,422,684
Cash and investments – investment trust fund	7,436,749
Cash and investments – agency funds	1,015,895
Cash and investments – restricted	<u>394,541</u>
	<u>\$37,356,770</u>

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

The State of Nevada Local Government Investment Pool is an external pool administered by the State Treasurer, with oversight by the State of Nevada Board of Finance. Investment in the Local Government Investment Pool is carried at fair value, which is the same as the value of the pool shares.

Carson City administers an external investment pool combining Carson City money with involuntary investments from the Carson City School District. Each participant's share is equal to their original investment plus or minus monthly allocation of interest income and realized and unrealized gains and losses. Interest allocation is calculated monthly and is based on the month end cash balances of each fund participating in the pool. The fair value and interest receivable allocations are calculated at year end and are based on the average monthly cash balance of each fund participating in the pool. The determination of realized gains and losses is independent of the determination of the net change in the fair value of investments and realized gains and losses on investments that were held by the governmental entity during a previous accounting period(s) but sold during the current period were used to compute the change in the fair value of investments for the previous year(s) as well as the current year. The participant's share and redemption value are calculated using the same method. The Board of Supervisors has overall responsibility for investment of City funds, including the Investment Trust Fund, in accordance with NRS 355.175. The Carson City Chief Investment Official is the Carson City Treasurer, under authority delegated by the Board of Supervisors. The City has not provided or obtained any legally binding guarantees during the period to support the value of shares. The external investment pool is not registered with the SEC as an investment company.

Summary of investments held in the external investment pool at June 30, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal Amount/ Number of Shares</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
U.S. Treasuries	\$ 5,940,957	\$ 5,985,000	0.50-1.25%	10/31/2015-5/31/2019
U.S. Agencies	8,523,053	8,346,598	0.0-6.3%	4/20/2015-02/25/2034
Corporate Bonds	9,258,269	9,074,314	0.0-6.75%	12/1/2014-1/15/2047
Money Market Mutual Fund	643,932	643,932	0.0-0.01%	07/01/2014
State of Nevada Local Government Investment Pool	<u>7,398,642</u>	7,398,642	Variable	07/01/2014
Total Pooled Investments	<u>\$31,764,853</u>			

External Investment Pool financial statements:

Statement of Net Position, June 30, 2014

Assets:

Investments in securities:

U.S. Treasuries	\$ 5,940,957
U.S. Agencies	8,523,053
Corporate Bonds	9,258,269
Money Market Mutual Fund	643,932
State of Nevada Local Government Investment Pool	7,398,642
Interest receivable	<u>55,633</u>

Total Assets

\$31,820,486

Net position consist of:

Internal participants	\$24,383,737
External participants	<u>7,436,749</u>

Total Net Position Held in Trust for Pool Participants
(Participant units outstanding, \$1.00/par)

\$31,820,486

**CARSON CITY, NEVADA
A CONSOLIDATED MUNICIPALITY
INVESTMENT AND PORTFOLIO POLICIES**

I. INTRODUCTION

- A. The investment of Carson City, a consolidated municipality (hereinafter referred to as the "City"), funds is a function performed by the City Treasurer following policy acknowledgment by the City Board of Supervisors. The investment program's operation is the responsibility of the City Treasurer.
- B. It is the intent of this policy to establish guidelines for the prudent investment of these City funds.

II. SCOPE

- A. This policy applies to activities of the City with regards to the investing of the financial assets of all funds, including the following:

General Fund
Special Revenue Funds
Capital Project Funds
Enterprise Funds
Debt Service Funds
Internal Service Funds
Trust and Agency Funds

1. Should bond covenants be more restrictive than this policy, funds will be invested in full compliance with those restrictions.

III. OBJECTIVES

- A. **Safety:** Safety of principal is the foremost objective of the City's investment program. Investments by the City Treasurer shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio.
- B. **Liquidity:** The City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.
- C. **Return on Investment:** The City's portfolio shall be invested with the objective of obtaining an appropriate market rate of return in relation to the prevailing budgetary and economic environments. This would take into account the City's investment risk constraints and the cash flow characteristics of the portfolio.

IV. PERFORMANCE EVALUATION

- A. The Majority of the City's investment strategy is defined as minimally active. The short term portion may be invested in short term treasuries. These treasuries may be enhanced if done in such a manner as to not add risk, that is, trades will be made after interest rates or relative values change, not as such changes are anticipated. Given this

strategy, the basis used by the City Treasurer to determine whether competitive market yields are being achieved will be based on multiple bench marks. The short term portfolio will be marked against the Merrill Lynch 0-1 Treasuries Index. The longer portfolios will be measured against either the Merrill Lynch 1-3 year agency index or the Merrill Lynch 3-5 year agency index.

V. AUTHORIZATION

- A. Funds of the City will be invested in compliance with the provisions of Nevada Revised Statutes, Chapter 355.167 through 355.200, and other applicable statutes including Chapter 350.659. Investments will be in accordance with these policies and written administrative procedures. Investment of any tax exempt borrowing proceeds and of any Debt Service Fund will comply with the 1986 Tax Reform Bill provisions referring to the Internal Revenue Code Section 148 which deals with arbitrage.

VI. PRUDENCE

- A. The standard of prudence to be used by authorized treasury personnel shall be the following "prudent person" standard, as hereafter quoted, and shall be applied while conducting all investment transactions:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

VII. AUTHORIZED INVESTMENTS

The City Treasurer, in accordance with the provisions of NRS 355.170, 355.180, and this investment policy, is authorized to invest in:

- A. United States Treasury Bills, Notes, and Bonds;
- B. United States Government Agency Securities;
1. Federal National Mortgage Association (FNMA - Fannie Mae)
 2. Federal Home Loan Bank
 3. Federal Farm Credit Bank
 4. Federal Home Loan Mortgage Corporation (FHLMC - Freddie Mac)
- C. Negotiable Certificates of Deposit;
1. Issued by commercial banks
 2. Issued by insured savings and loan associations
- D. Bankers' Acceptances;
1. Maximum maturity of 180 days
 2. Aggregate book value may not exceed 20% of the total book value of the portfolio
- E. Commercial Paper;
1. Maximum maturity of 270 days
 2. Rating must be A-1, P-1, or its equivalent or better
 3. Aggregate book value may not exceed 20% of the total book value of the portfolio

(See XI Diversification A-2)

F. Money Market Mutual Funds;

1. Rating must be AAA or equivalent by nationally recognized rating service.
2. Invests only in securities issued by the Federal Government or its agencies or in repurchase agreements fully collateralized by such securities.

G. Repurchase Agreements;

1. Executed with a qualified counterparty designated in advance by the Board of Supervisors.
 - a. Counterparty means a bank which is organized and operating or licensed to operate in the United States under federal or state law or a securities dealer which is a registered broker/dealer, designated by the Federal Reserve Bank of New York as a "primary" dealer in United States government securities, and in full compliance with all applicable capital requirements.
2. A written master repurchase agreement in a form satisfactory to the Board of Supervisors is executed prior to entering into a repurchase agreement
3. Maximum maturity of 90 days
4. Collateral requirements (see IX A)

H. Time Certificates of Deposit;

1. Collateral requirements (see IX B).

VIII. FUNDS INVESTED WITH STATE TREASURER

Funds invested with the State Treasurer in the LGIP or NVEST portfolios may be invested as permitted by NRS.

IX. COLLATERALIZATION

- A. The collateral for repurchase agreements shall be United States Treasury or United States government agency securities with a term of maturity of no more than ten years. The market value of purchased securities must be at least 102% of the repurchase price. At a minimum, the value of the securities must be marked-to-market on a weekly basis.
- B. Uninsured time certificates of deposit with commercial banks and insured savings and loan associations shall be collateralized in the manner prescribed by NRS 356.020 for depositories accepting City investment funds.

X. SAFEKEEPING/CUSTODY AND DELIVERY

- A. Securities purchased by the City Treasurer, as well as collateral for both repurchase agreements and time certificates of deposit over \$100,000, shall be delivered against payment and held in a custodial safekeeping account with the trust department of a bank acting as a third party custodian. (NRS 355.172)
 1. This bank will be designated by the City Treasurer and all transactions will be evidenced by safekeeping receipts.
 2. Time certificates of deposit may be held by the City Treasurer alone or in conjunction with an agency for which the certificate of deposit constitutes a bond

deposit.

XI. MATURITIES

- A. **Liquidity:** To the extent possible, investment maturities must match the anticipated cash flow requirements. Portfolio management procedures will provide for the assessment of net cash flow positions for at least a three month period.
- B. **Market Risk:** Market risk relates to the continuous price fluctuations of marketable securities that may result in a loss to the City if cash flow requirements force a premature sale.
1. Portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. To this end, portfolio management procedures will provide for the projection of a "Minimum Liquidity Requirement" for the City's operating fund.
- C. **Minimum Liquidity Requirement:** This is defined as the total cash flow needed to pay City obligations for a period of four weeks. All securities to be included in the "Minimum Liquidity Requirement" must mature within 28 days.
- D. **Intermediate Market Investment:** That portion of City funds remaining after deletion of the "Minimum Liquidity Requirement" may be invested in the Intermediate market, defined herein as instruments maturing between zero and ten years.
- E. **[No US bonds, debentures, bills, notes, agency obligations or securities purchased, including those used as collateral for repurchase agreements, may have a maturity date of more than 10 years from the date of purchase.]**

No US bonds, debentures, bills, notes, agency obligations or other securities, including those used as collateral for repurchase agreements, may have a maturity date of more than 10 years from the date of purchase. Securities purchased by money managers under the provisions of NRS 355.171 may have a longer stated maturity date.

XII. DIVERSIFICATION

- A. Assets held in the investment portfolio shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific class of securities. The following diversification limitations shall be imposed on the portfolio:
1. With the exception of United States Treasury and government agency securities, no more than 20% of the total book value of the portfolio will be invested in a single security type.

XIII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. The City Treasurer will maintain a list of approved broker/dealers and financial institutions which are authorized to provide investment services to the City. Authorized broker/dealers will be limited to "primary" dealers or other dealers that qualify under SEC Rule 15C3-1, the Uniform Net Capital Rule.
1. The City Treasurer shall conduct periodic reviews to identify those firms which

offer diverse approaches, access to markets, analysis, and interpretations needed to effectively manage the portfolio. All approved firms are expected to be familiar with the precautions appropriate to public sector investments while also being expected to familiarize themselves with the City's investment objectives, policies, and constraints.

XIV APPOINTMENT OF FUND MANAGERS

- A. The City Treasurer may contract with investment managers at the discretion of the treasurer. Any such investment manager shall hold the 'Registered Investment Advisor' designation with the SEC. Such managers shall sign contracts affirming their acceptance of fiduciary responsibility for funds under their management and follow the precepts of the City's investment policy and any other written restrictions placed upon them.
- B. Such money managers, once they have been approved by the State Board of Finance, may additionally invest in securities as defined in NRS 355.171.

XV. SECURITIES LENDING

In accordance with NRS 350.178 (which shall include NAC 355) and NRS 355.170, the City may, at its option, enter into securities lending transactions, as long as the investment portfolio has a book value of at least \$50,000,000 and the City has obtained from the State Board of Finance ("Board"):

- a) authority to enter into any securities lending agreement, with such authorization valid for two years, potentially renewable by the Board thereafter for additional two-year periods (NRS.178(5)), and
- b) approval of a written investment policy which sets forth the procedures to be used for such lending (NAC 355.1.1(a)).

After obtaining such approval, the City will be required to use a securities lending agent which shall be:

- a) registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, or
- b) a bank or trust company organized and either operating or licensed to operate in the U.S. in accordance with federal law or the law of any state (NAC 355.2(a)).

Additionally, such agent shall:

- a) be chosen by the City through a formal process of competitive selection;
- b) enter into a binding contract with the City obligating the agent to abide by the terms of the City's Board-approved written investment policy;
- c) said contract shall include the standard of prudence articulated in Section VI above (NAC 2.(b), (c), and (d)).

The City Treasurer shall submit to the City Manager, or his designee, a monthly report that sets forth the securities that have been lent pursuant to this Section and any other information relating thereto including, without limitation, the terms of each agreement for the lending of those securities.

Additional responsibilities of the agent shall include, but not be limited to:

- A. Monitoring the fair market value of loaned securities on a daily basis.
- B. Monitoring the fair market value of the (cash or securities) collateral provided by the borrowers on a daily basis, which must be at least 102 percent of the value of the City's loaned securities.
- C. Exercising the right and duty to demand additional collateral or the obligation to release collateral as the market value of the City's loaned securities fluctuates.
- D. Maintaining complete records of securities lending transactions and revenue to be submitted on a monthly basis to the Finance Director and City Manager or his/her designee.

E. Detailing the agreed upon fee arrangement and / or revenue split.

F. When applicable, monitoring the composition and value of repurchase agreement collateral (as a cash collateral investment), which must be maintained at a minimum 102 percent of the cash collateral invested.

G. Ensuring that none of the City's securities are lent to any borrower not on the list of borrowers approved by the Board of Supervisors.

The 102% collateral received by the City from borrowers shall be in the form of securities or cash. Cash collateral investments shall be the responsibility of the agent, however securities received directly by the City as collateral, and/or cash collateral investments shall be limited to:

- a) United States Treasury Bills, Notes, and Bonds and United States Government Agency Securities which conform to the requirements of Section VII part A and VII part B, and Sections X and XI part E of this investment policy;
- b) Repurchase Agreements which conform to the requirements of Sections VII part G, X, and XI part E of this investment policy; and/or
- c) Money Market Mutual Funds which conform to the requirements of Section VII part F of this investment policy.

The agent will use his best efforts to match the maturity of the collateral (if securities are delivered to the City) and/or cash collateral investment (if cash collateral is delivered to the City and invested by the agent) with the maturity of the corresponding lending contract, however:

- a) the 'average weighted maturity' (as defined in NRS 355.178(6)) of all cash collateral investments in the securities lending portfolio as a whole shall not exceed 90 days (NRS 355.178(4));
- b) in no case shall the maturity for the investment assets exceed that of the corresponding lending contract;
- c) the maturity of the investment asset may be less than the maturity of the corresponding lending contract but by no more than 30 days.

XVI. REPORTING

- A. The City Treasurer will make available at any time upon request of the Finance Department or City Manager sufficient information to permit an evaluation of the performance of the investment program. The purpose for these reports will be to formulate suggestions for improved future performance, and to verify that authorized city treasury personnel have acted in accordance with the investment policy and written investment procedures. In addition, the City Treasurer shall report monthly, as directed in part XV, on securities lending activity to the City Manager or his/her designee.

XVII. INTERNAL CONTROLS

- A. The City Treasurer's office is subject to periodic audits by the City's Internal Auditor, including unscheduled cash and securities counts. The investment portfolio will be audited annually by the City's Independent auditor.

XVIII. ADOPTION

Adopted by the Carson City Treasurer

Alvin P. Kramer, Carson City Treasurer

Date: June 28, 2012

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MEMO TO: Board of Supervisors
Nick Marano, City Manager

FROM: Nick Providenti, Finance Director

DATE: December 5, 2014

SUBJECT: Plan of Corrective Action for FY 13-14 Statutory Violations

As presented to you by Kafoury, Armstrong and Co., there were two apparent violations of NRS 354.626 noted in the City's FY 13-14 annual audit relative to the excess of expenditures over appropriations in the Ambulance and Cemetery Funds. The following explanation and corrective action is offered in response to the statutory violations:

- Actual expenses exceeded appropriations in the Ambulance Enterprise Fund by \$8,810. This was the result of a non-cash adjustment to accrued compensated absences and the actual payouts that exceeded our estimates due to the retirement of a Battalion Chief during the fiscal year. In the future, the Finance Department will take greater care in re-estimating accrued compensated absences for the enterprise funds during the budget augmentation process.
- Actual expenses exceeded appropriations in the Cemetery Enterprise Fund by \$28,997. This was the result of a non cash adjustment to Other Post Employment Benefits (OPEB) and accrued compensated absences due to a negotiated contractual labor change made after the original budget was adopted. In the future, during the budget augmentation process, the Finance Department will re-estimate OPEB charges and accrued compensated absences for the enterprise funds based on current negotiated labor contracts.

If you have any questions, please do not hesitate to contact me.

**PUBLIC WORKS
DEPARTMENT**

ADMINISTRATION
3505 Buttl Way
Carson City, NV 89701-3498
Ph: 775-887-2355
Fxi: 775-887-2112

CONTRACTS
3505 Buttl Way
Carson City, NV 89701-3498
Ph: 775-887-2355
Fxi: 775-887-2112

FLEET SERVICES
3303 Buttl Way, Building 2
Carson City, NV 89701-3498
Ph: 775-887-2356
Fxi: 775-887-2258

OPERATIONS
(Water, Sewer, Wastewater,
Streets, Landfill, Environmental)
3505 Buttl Way
Carson City, NV 89701-3498
Ph: 775-887-2355
Fxi: 775-887-2112

**TRANSPORTATION/
CAPITAL PROJECTS**
3505 Buttl Way
Carson City, NV 89701-3498
Ph: 775-887-2355
Fxi: 775-887-2112

**DEVELOPMENT
SERVICES**

**BUILDING and SAFETY
PERMIT CENTER**
2621 Northgate Lane, Suite 6
Carson City, NV 89706-1319
Ph: 775-887-2310
Fxi: 775-887-2202

DEVELOPMENT ENGINEERING
2621 Northgate Lane, Suite 54
Carson City, NV 89706-1319
Ph: 775-887-2300
Fxi: 775-887-2283

PLANNING
2621 Northgate Lane, Suite 62
Carson City, NV 89706-1319
Ph: 775-887-2180
Fxi: 775-887-2278

CARSON CITY NEVADA
Consolidated Municipality and State Capital



November 24, 2014

Dear Grantor Agency:

The following is a discussion of our corrective action plan in response to the findings noted by Kafoury, Armstrong and Co. in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014

U.S. DEPARTMENT OF TRANSPORTATION:

Finding 2014-001:

Federal Transit Cluster, CFDA 20.207:

Criteria:

The OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Recommendation:

We recommend that the Carson City Public Works Department implement procedures to ensure that the documentation of time and effort by all employees is adequate to support salary and benefit charges to the Federal Transit Cluster.

Management's Response:

In the future, the City will take corrective action by developing a timesheet which includes an area for the employee to sign and date the form as well as identify the federal program to which their time is being billed. These timesheets will be kept in a file for a minimum of three years.

Finding 2014-002:

Federal Transit Cluster, CFDA 20.207:

Criteria:

The *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements. Per the SF-425 Federal Financial Report Instructions, the department submitting the report should report the "amount of program income that was used to reduce the Federal share of the total project costs" in the line titled "Program Income Expended in Accordance with the Deduction Alternative."

Recommendation:

We recommend the Public Works Department personnel enhance the procedures over preparation of the SF-425 Federal Financial Reports for Federal Transit Cluster to ensure the reports include all the required information prior to submission.

Management's Response:

In the future, the City will take corrective action by including on the FS-425 report submitted to the Federal awarding agency the amount of program income that was used to reduce the Federal share of the total project costs, effectively providing all information necessary in the report.

The contact information for the person responsible for implementing the corrective action and management official responsible for ensuring that the corrective action has been taken is as follows:

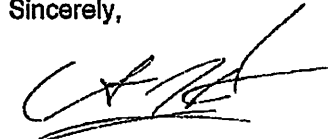
Implementation CFDA # 20.207

Graham Dollarhide
Transit Coordinator
3505 Butti Way, Carson City, NV 89701
E-mail: gdollarhide@carson.org
775-283-7583

Management Official

Patrick Pittenger
Transportation Manager
3505 Butti Way, Carson City, NV 89701
E-mail: ppittenger@carson.org
775-283-7396

Sincerely,



Curtis Horton
Acting Public Works Director



CARSON CITY, NEVADA
CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

November 24, 2014

Dear Grantor Agency:

The following is a discussion of our corrective action plan in response to the findings noted by Kafoury, Armstrong and Co. in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:

Finding 2014-003:

Prevention and Public Health Fund Affordable Care Act – Immunization Program, CFDA 93.539

National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

Criteria:

The OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*, compliance requirements state that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that reflect an after-the-fact distribution of the actual activity, be prepared at least monthly, and must be signed by the employee. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

Recommendation:

We recommend that the City implement procedures to ensure that the documentation of time and effort by all employees is adequate to support salary and benefit charges to the Prevention and Public Health Fund Affordable Care Act – Immunization Program and the National Bioterrorism Hospital Preparedness Program.

Management's Response:

Carson City Health & Human Services will develop a procedure for documenting time and effort of employees' work, reflecting an after-the-fact distribution of the actual activity.

Carson City Health & Human Services

900 East Long Street • Carson City, Nevada 89706 • (775) 887-2190 • Hearing Impaired–Use 711

Clinic Services
(775) 887-2195
Fax: (775) 887-2192

Public Health Preparedness
(775) 887-2190
Fax: (775) 887-2248

Human Services
(775) 887-2110
Fax: (775) 887-2539

Disease Prevention & Health
Promotion
(775) 887-2190
Fax: (775) 887-2248

The contact information for the person responsible for implementing the corrective action and management official responsible for ensuring that the corrective action has been taken is as follows:

Implementation CFDA # 93.539/93.889

Ana J. Jimenez
Department Business Mgr.
900 East Long St., Carson City
E-mail: ajimenez@carson.org

Management Official

Nicola Aaker, Director, MSN, MPH, RN
Carson City Health & Human Services
900 East Long St., Carson City
E-mail: naaker@carson.org

Finding 2014-004:

Family Planning - Services, CFDA 93.217:

Criteria:

The *OMB Circular A-133* requires that reports submitted to the Federal awarding agency include all activity of the reporting period, and are presented in accordance with program requirements. Per the SF-425 Federal Financial Report instructions, the transactions reported on Line 10 should be reported using cumulative amounts from the date of inception of the award through the end date of the reporting period. The instructions also state that the report should include the recipient share of actual cash disbursement or outlays including payments to sub-recipients and contractors. This amount may include the value of allowable third party in-kind contributions and recipient share of program income used to finance the non-Federal share of the project or program.

Recommendation:

We recommend the Carson City Department of Health and Human Services enhance the procedures to ensure that financial amounts included in the SF-425 reports are complete and supported by the underlying accounting records.

Management's Response:

Carson City Health & Human Services' Grant Analyst prepares a spreadsheet documenting cumulative amounts from the grant's inception, cash disbursements and program income. The amounts will be verified to ensure that they balance with the supported actual accounting records. The Clinical Services Manager and will sign off quarterly on the SF-425 report.

The contact information for the person responsible for implementing the corrective action and management official responsible for ensuring that the corrective action has been taken is as follows:

Implementation CFDA # 93.217
Ana J. Jimenez
Department Business Mgr.
900 East Long St., Carson City
E-mail: ajimenez@carson.org
775-283-7228

Management Official
Nicola Aaker, Director, MSN, MPH, RN
Carson City Health & Human Services
900 East Long St., Carson City
E-mail: naaker@carson.org
775-283-7704

Finding 2014-005:

National Bioterrorism Hospital Preparedness Program, CFDA 93.889:

Criteria:

The OMB Circular A-133 Compliance Supplement requires that amounts claimed as matching contributions must be necessary and reasonable for the proper and efficient accomplishment of project and program objectives and are allowed under the applicable cost principles.

Recommendation:

We recommend that the Carson City Department of Health and Human Services implement procedures to ensure that amounts used for matching contributions for the National Bioterrorism Hospital Preparedness Program are reviewed to ensure they are necessary and reasonable for the proper and efficient accomplishment of the program's objectives.

Management's Response:

Carson City Health & Human Services will use the following General Fund categories as matching contribution; personnel, power, heating, fax/DSL line and equipment repair and maintenance costs. An allocated portion of Carson City grant employees and MRC volunteers will also be used as matching contributions.

The contact information for the person responsible for implementing the corrective action and management official responsible for ensuring that the corrective action has been taken is as follows:

Implementation CFDA # 93.889
Ana J. Jimenez
Department Business Mgr.
Carson City Health & Human Services
900 E. Long Street, Carson City
Email: ajimenez@carson.org
775-283-7228

Management Official
Nicola Aaker, Director, MSN, MPH, RN
Carson City Health & Human Services
900 East Long Streets, Carson
Email: naaker@carson.org
775-283-7704

Sincerely,

Nicola Aaker, MSN, MPH, RN

Nicola Aaker, MSN, MPH, RN
Health and Human Services Director

**Carson City Audit Committee
Agenda Report**

Date Submitted: 05/26/2015

Agenda Date Requested: 06/03/2015

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action regarding the Audit Committee's interaction with the external auditor as they prepare for the FY 2015 audit of the City's financial statements.

Summary: Section 2.14.020 (2) of the Charter states "The Carson City audit committee will maintain an open line of communication with the Board of Supervisors, city management, internal and external auditors; providing direction for the city's audit function and a framework of accountability." Staff and the external auditor will discuss the Audit Committee's role with the external auditor as they prepare for the FY 2015 audit of the City's financial statements.

Type of Action Requested: (check one)

() Resolution

() Ordinance

(X) Formal Action/Motion

() Other (Discussion Only)

Does This Action Require A Business Impact Statement: () Yes (X) No

Recommended Committee Action: Will depend on the discussion.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: N/A

Prepared By: Michael Bertrand

Reviewed By: Nancy Pauls **Date:** 5/27/15
(Finance Director)

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

**Carson City Audit Committee
Agenda Report**

Date Submitted: 05/26/2015

Agenda Date Requested: 06/03/2015

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action regarding monitoring of the Audit Findings Response Tracking Report and possible direction to the internal auditor to report and discuss the monitoring with the Board of Supervisors.

Summary: Representatives from Moss Adams and city staff will discuss Audit Findings Monitoring.

Type of Action Requested: (check one)

() Resolution

() Ordinance

(X) Formal Action/Motion

() Other (Discussion Only)

Does This Action Require A Business Impact Statement: () Yes (X) No

Recommended Committee Action: Will depend on the discussion.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Internal Audit Findings Response Tracking Report

Prepared By: Nick Providenti, Finance Director

Reviewed By: *Danny Paulino*
(Finance Director)

Date: 5/27/15

Board Action Taken:

Motion:

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

Carson City Audit Committee

Agenda Report

Date Submitted: May 12, 2015

Agenda Date Requested: June 3, 2015

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on additional projects to be performed by the Internal Auditor for the period ending June 30, 2016.

Summary: Moss Adams will provide recommendations for future internal audits for the period ending June 30, 2016.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Will depend on discussion and possible recommendations.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: Will depend on the motion.

Explanation of Impact: Will depend on the motion

Funding Source: Internal Audit budget

Alternatives: N/A

Supporting Material: Memo from Moss-Adams

Prepared By: Michael Bertrand

Reviewed By: Nancy Paulson
(Finance Director)

Date: 5/27/15

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)

**Carson City Audit Committee
Agenda Report**

Date Submitted: 05/26/2015

Agenda Date Requested: 06/03/2015

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: Discussion and update regarding the City's Strategic Plan.

Summary: Moss Adams will be providing an update of the Strategic Plan to include items such as suggested dashboards and the key indicators that we will be following and how this will be implemented and monitored.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Discussion Only)

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: Discussion Only

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation: Carson City Charter

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Memo From Moss Adams

Prepared By: Michael Bertrand

Reviewed By: Nancy Paulson
(Finance Director)

Date: 8/27/15

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

(Vote Recorded By)