



STAFF REPORT

Report To: Board of Supervisors **Meeting Date:** December 17, 2020

Staff Contact: Sheri Russell, Chief Financial Officer

Agenda Title: For Discussion Only: Discussion and presentation on financial highlights of the current year Comprehensive Annual Financial Report ("CAFR") by Carson City staff, and information from BDO USA, LLP ("BDO") relating to their audit procedures and the results of those procedures concerning the Carson City CAFR for the fiscal year ended June 30, 2020. (Sheri Russell, srussell@carson.org)

Staff Summary: BDO has been retained by the City to conduct an audit of the Carson City CAFR for the fiscal year ended June 30, 2020. 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 Minutes

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 of the City held not more than 30 days after the report is submitted (Audit Report is expected to be submitted December 9).

The Carson City CAFR for the fiscal year ended June 30, 2020 has been completed by the Finance Department and audited by the City's independent auditors, BPO.

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 of U.S. Code of Federal Regulation (CFR) Part 200; and Generally Accepted Auditing Standards

Financial Information

Is there a fiscal impact? No

If yes, account name/number: N/A

Is it currently budgeted?

Explanation of Fiscal Impact: N/A

Alternatives

N/A

Attachments:

[Presentation CAFR.pdf](#)

[Audit Wrap Up - Management Communications.pdf](#)

Board Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)



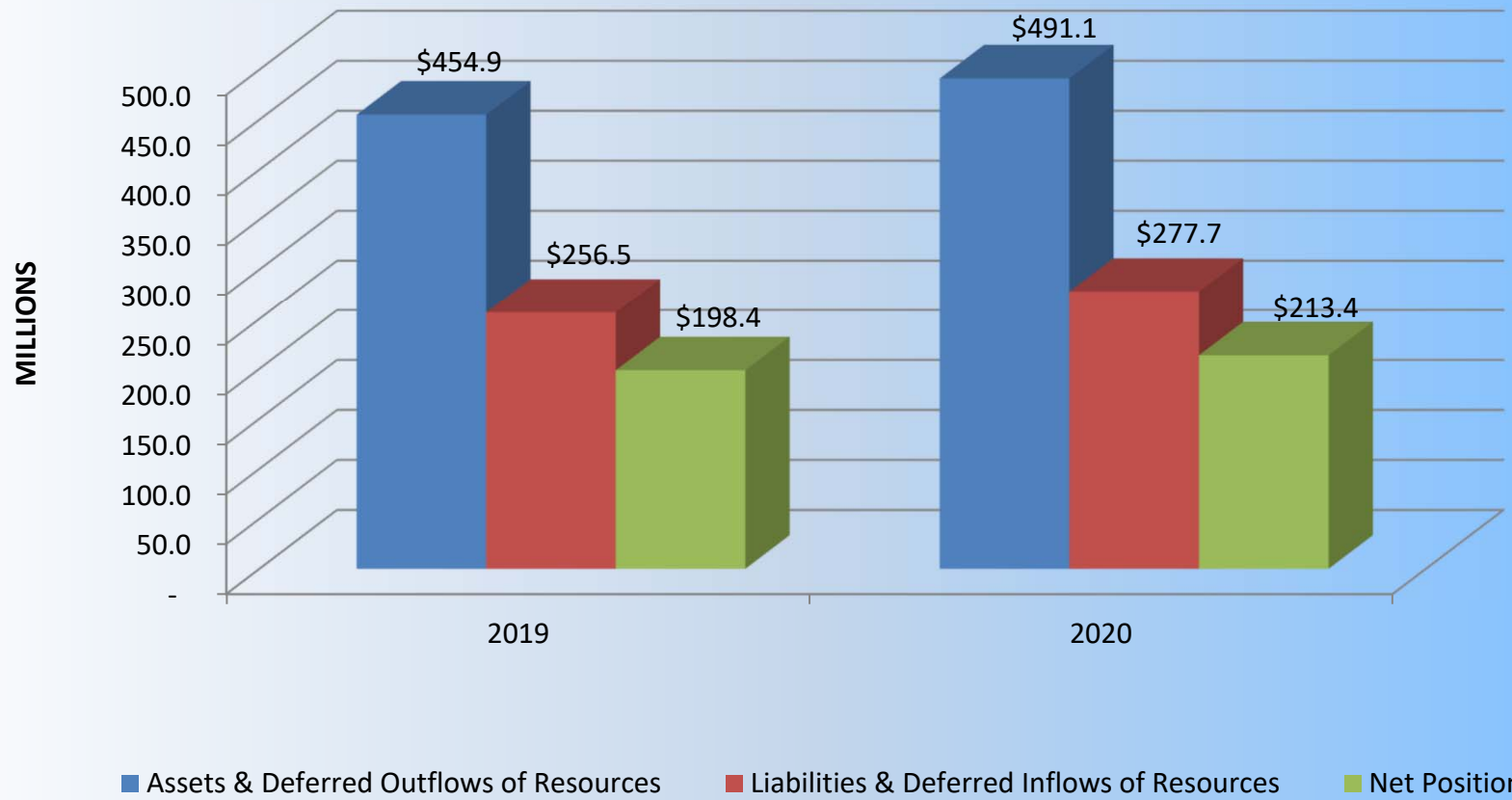
FINANCIAL ANALYSIS

CARSON CITY, NEVADA COMPREHENSIVE ANNUAL REPORT JUNE 30, 2020

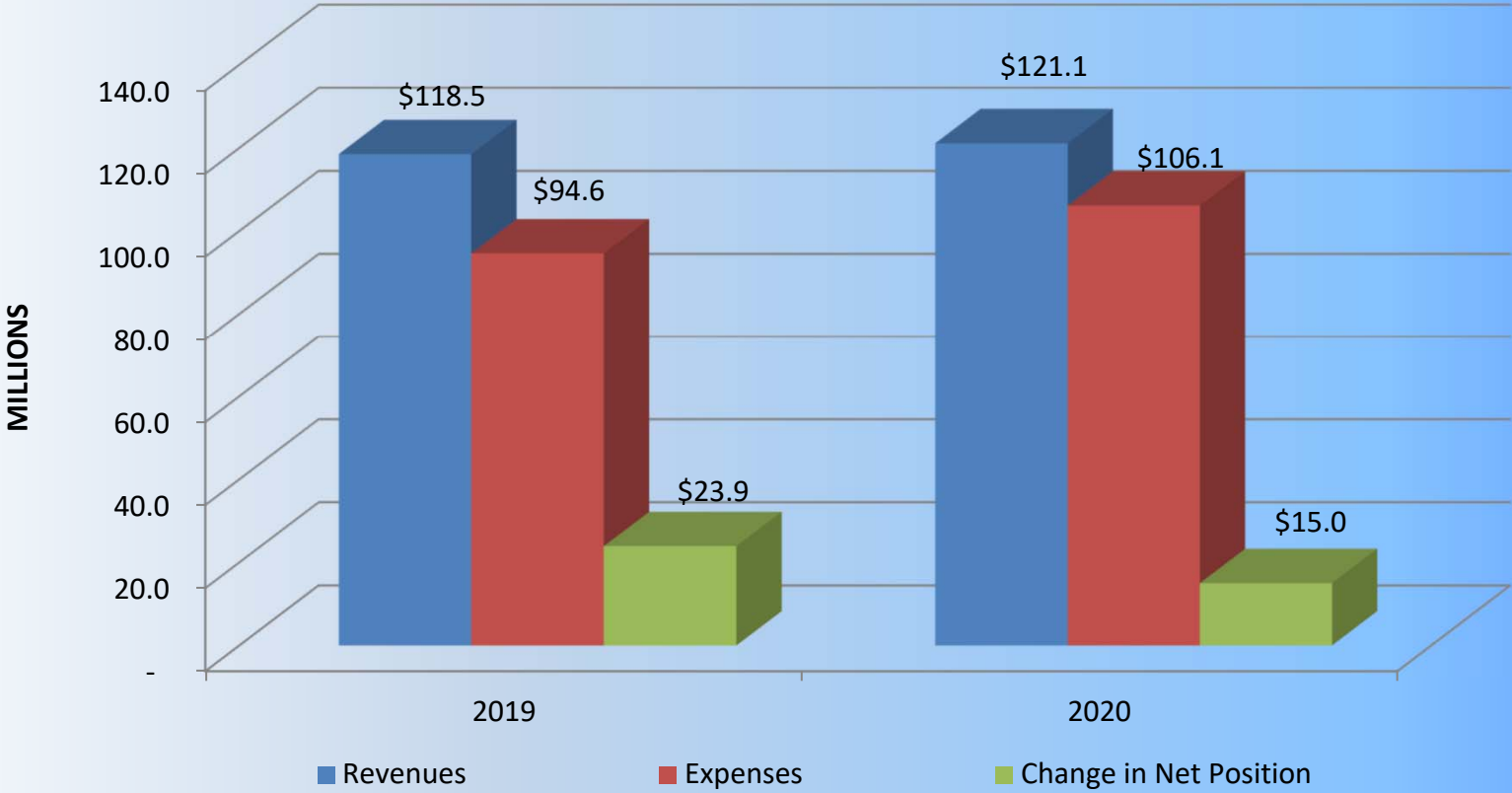
DOCUMENT LAYOUT

- Independent Audit Report starts on page 9 and BDO USA, LLP has given us an unqualified opinion.
- Page 6 – The City received the Certificate of Achievement for Excellence in Financial Reporting for our FY 2019 CAFR.
- Page 12 is the Managements Discussion and Analysis which is a much more concise summary of the document.
- Page 22 is the Government Wide Statement of Net Position. The Notes to the Financial Statements start on page 37 and explain the numbers in more detail.
- Page 44 of the Notes to the Financial Statements states that the City met all statutory constraints.
- No material findings.
 - Compliance Audit over Federal Grants is not included in this report, as it typically is due to a lack of CARES Act audit guidance. It will be issued in a separate report.

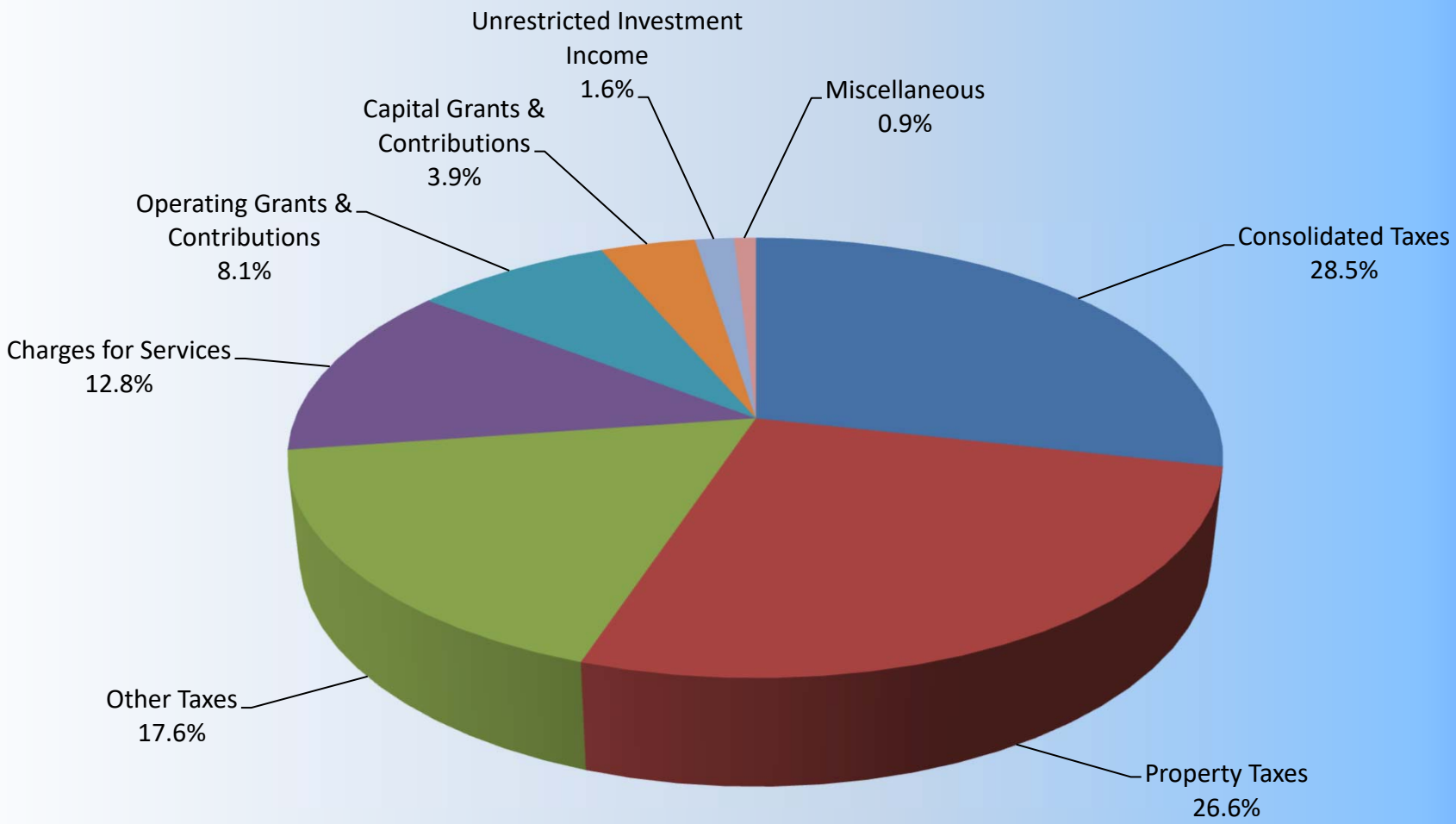
**CARSON CITY
STATEMENT OF NET POSITION
GOVERNEMENTAL ACTIVITIES
JUNE 30th**



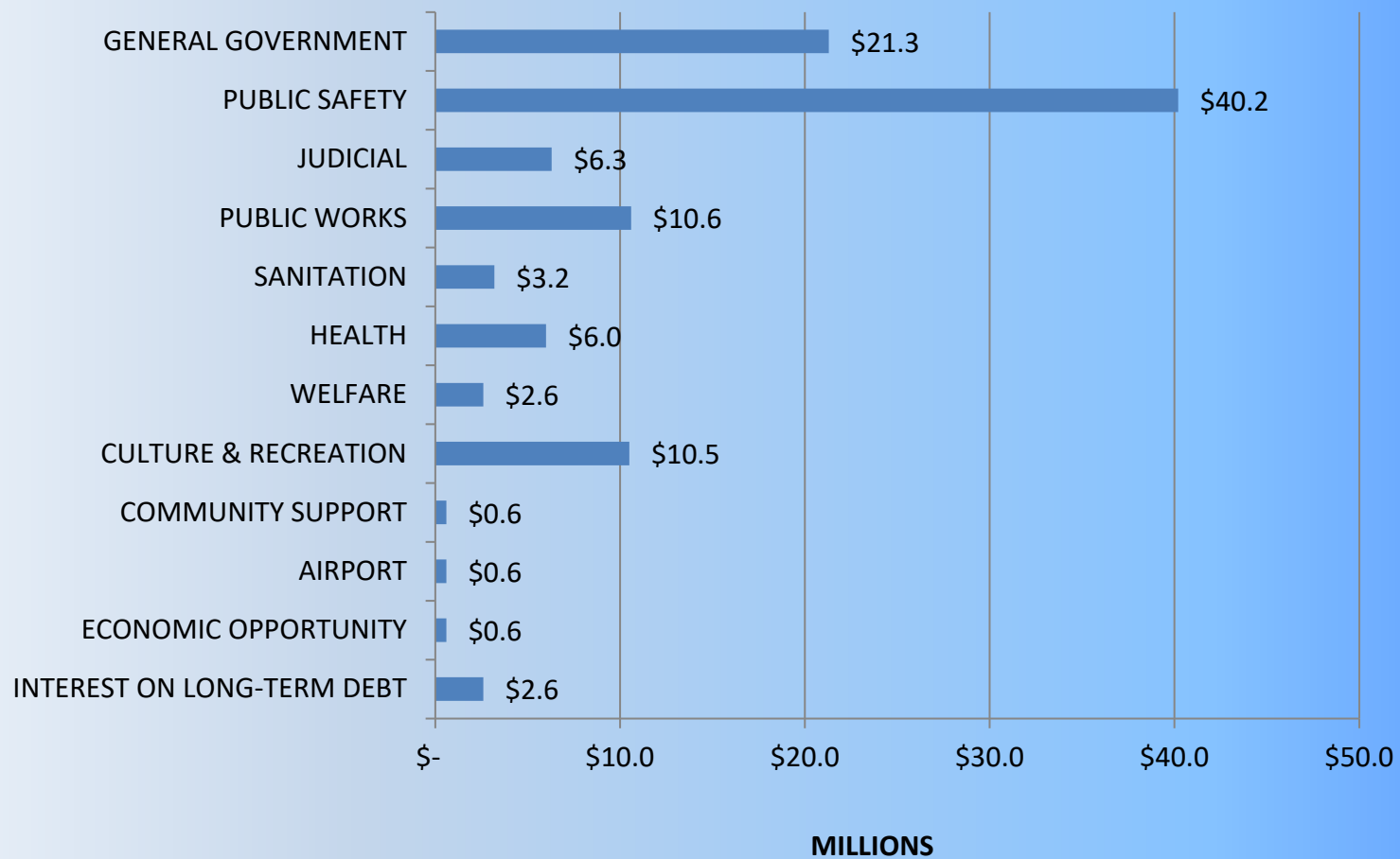
**CARSON CITY
STATEMENT OF ACTIVITIES
GOVERNEMENTAL ACTIVITIES
FOR THE YEARS ENDED JUNE 30th**



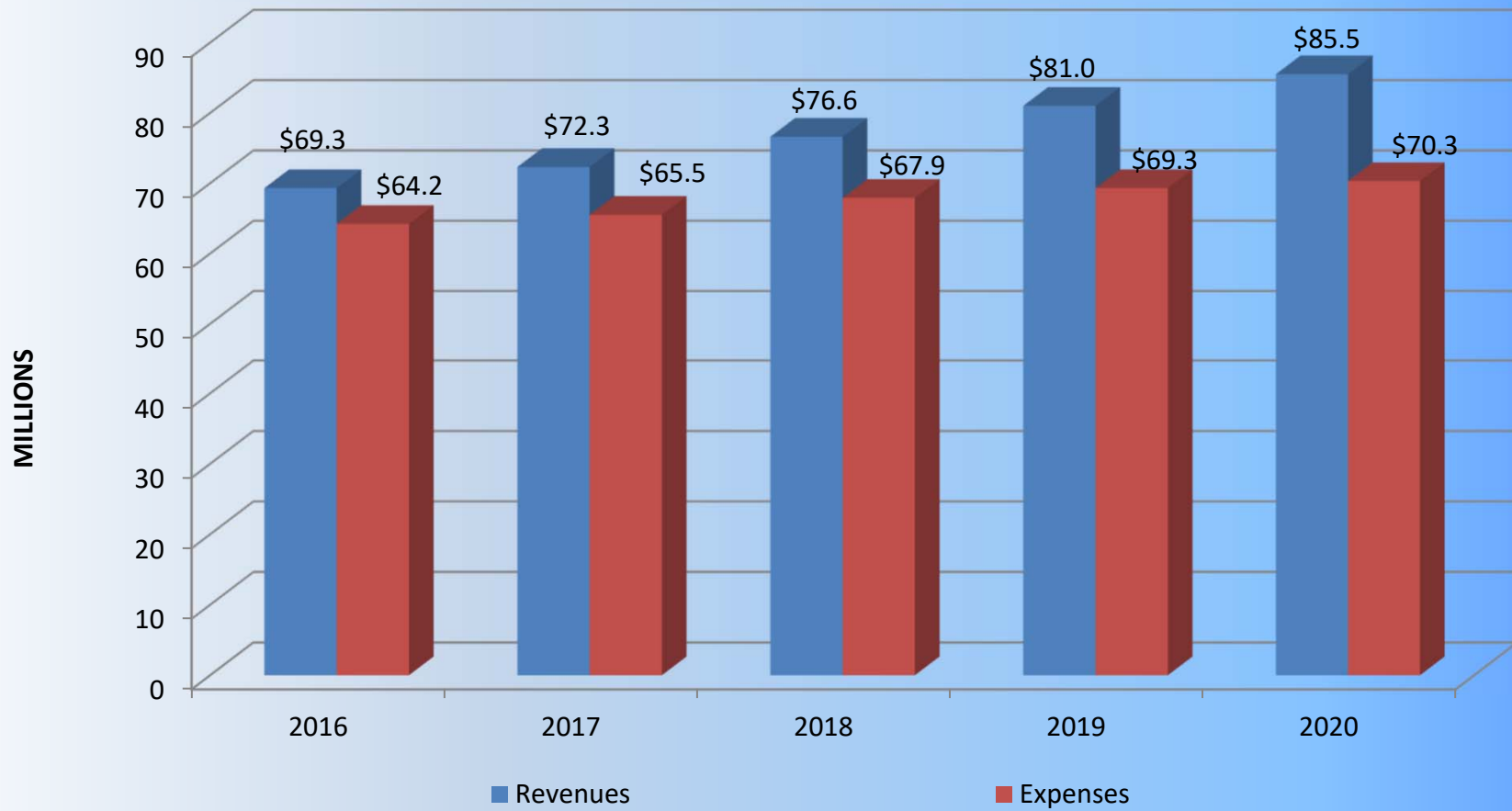
**CARSON CITY
REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**



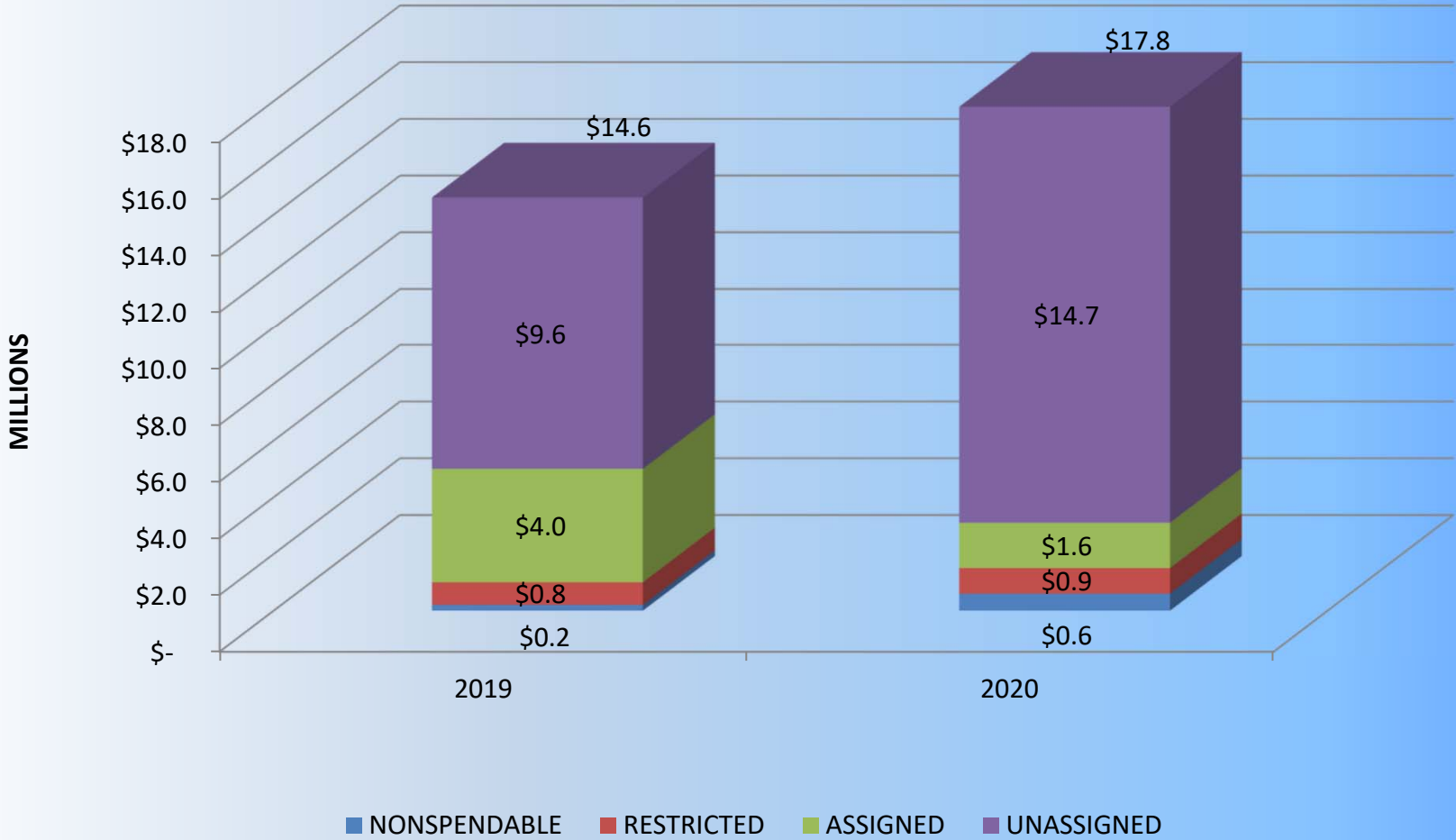
**CARSON CITY
EXPENSES BY FUNCTION
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**



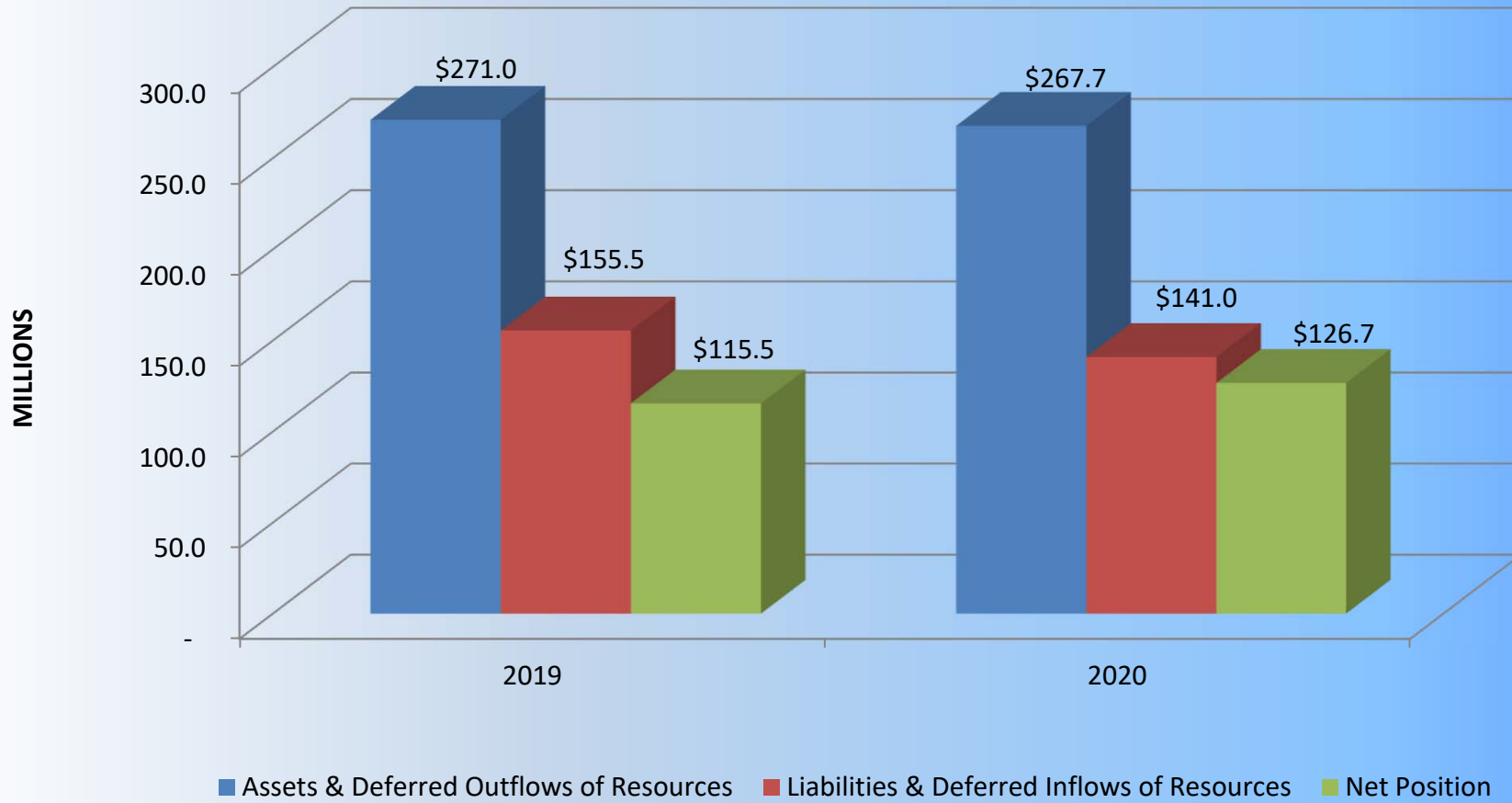
**CARSON CITY
GENERAL FUND
REVENUES VS. EXPENSES
FOR THE YEARS ENDED JUNE 30th**



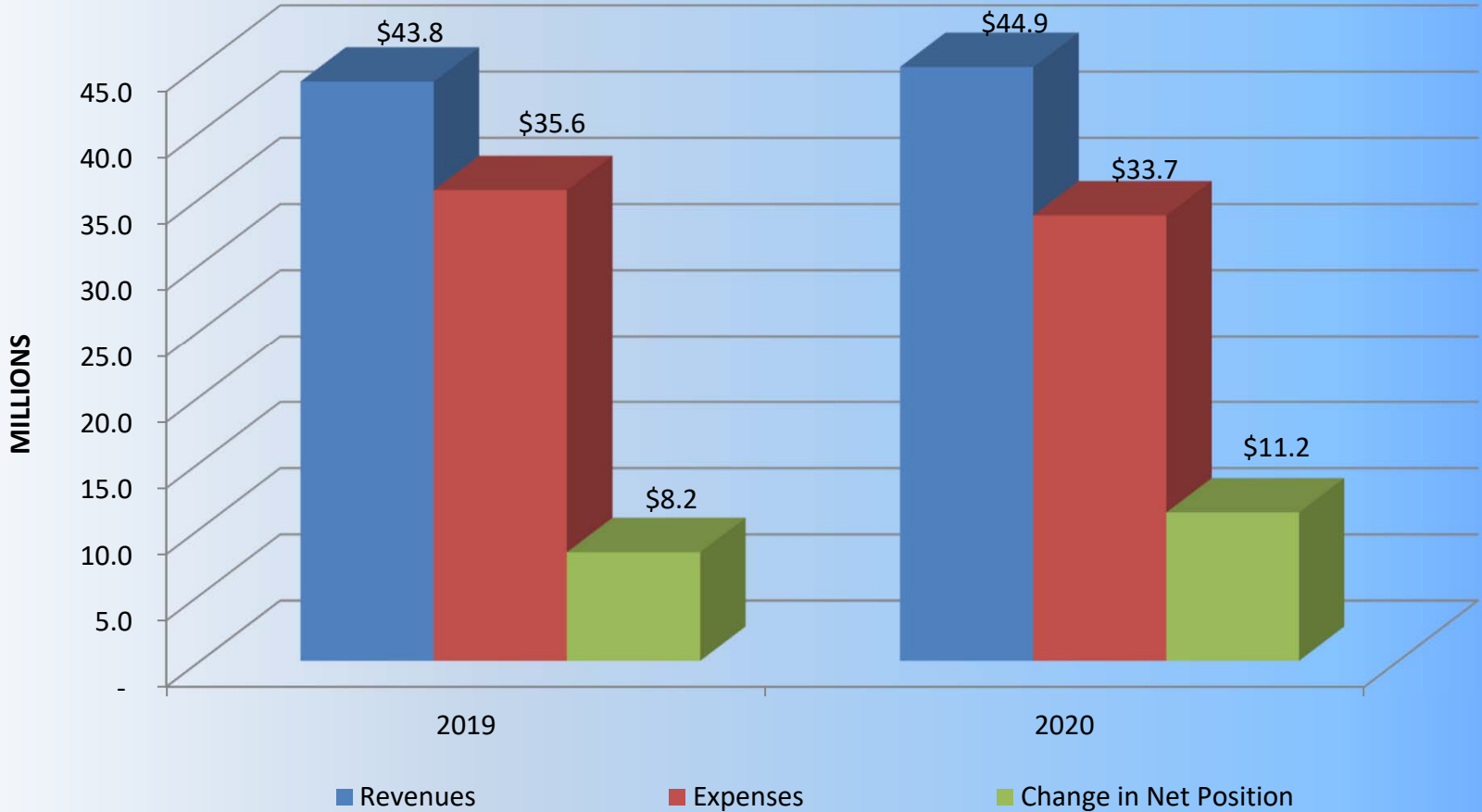
**CARSON CITY
GENERAL FUND
FUND BALANCES
FOR THE YEARS ENDED JUNE 30th**



**CARSON CITY
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES
JUNE 30th**



**CARSON CITY
STATEMENT OF ACTIVITIES
BUSINESS-TYPE ACTIVITIES
FOR THE YEARS ENDED JUNE 30th**



QUESTIONS



AUDIT WRAP UP

June 30, 2020



The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Governing Board and Audit Committee) and, if appropriate, management of the City and is not intended and should not be used by anyone other than these specified parties.

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December 9, 2020

Mayor and Other Members of the Board of Supervisors
Carson City, Nevada

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. In our letter dated September 28, 2020 we presented an overview of our plan for the audit of the financial statements of Carson City (the City) as of and for the year ended June 30, 2020, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the City's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the City and look forward to meeting with you on December 17, 2020 to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

Discussion Outline

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Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2020. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements whether due to error or fraud.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We have issued an unmodified opinion on the financial statements and released our report on December 9, 2020.
- ▶ Our responsibility for other information in documents containing the City's audited financial statements (e.g. management's discussion and analysis, budgetary comparisons, schedules of pension and OPEB amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the City and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of City personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the City's accounting practices, policies, and estimates:

The City's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

A summary of recently issued accounting pronouncements is included in Note 1 to the City's financial statements.

There were no changes in significant accounting policies and practices during the year ended June 30, 2020.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The City's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in the notes of the financial statements.

Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in 2020.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements:

There following are corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

Item #	Group Component	Description of Audit Adjustments	Error Type	Liabilities Dr/(Cr)	Profit & Loss Dr/(Cr)
1	Aggregate Non-Major Other Funds	To recognize revenue relating to the Nevada Association of Counties (NACO) Indigent Accident Fund (IAF) grant that was inappropriately deferred.	Factual	\$1,099,435	\$(1,099,435)
2	Governmental Activities	To present deferred inflows and deferred outflows related to pension and OPEB amounts on a gross basis.	Factual	3,077,453 (3,077,453)	
3	Business-Type Activities	To present deferred inflows and deferred outflows related to pension and OPEB amounts on a gross basis.	Factual	322,094 (322,094)	

Results of Our Audit

Uncorrected Misstatements:

We concur with management’s assessment that the effects of not recording the following adjustments are, both individually and in the aggregate, immaterial to the consolidated financial statements taken as a whole, considering both qualitative and quantitative factors. None of the proposed adjustments could potentially cause future-period financial statement to be materially misstated.

Item #	Group Component	Description of Proposed Audit Adjustments	Error Type	Balance Sheet Dr/(Cr)	Profit & Loss Dr/(Cr)
1	Aggregate Non-Major Other Funds	Revenue related to the Quality of Life County Option sales tax for the month of August 2019 was not properly accrued for the fiscal year ended June 30, 2019, resulting in an overstatement of revenue for the year ended June 30, 2020.	Factual	(264,267)	264,267
2	Governmental Activities	Related to Corrected Misstatement Item #2, a component of deferred inflows and outflows was still presented inappropriately presented on a net basis.	Factual	612,714 (612,714)	
3	Business-Type Activities	Related to Corrected Misstatement Item #3, a component of deferred inflows and outflows was still presented inappropriately presented on a net basis.	Factual	88,592 (88,592)	
4	Fiduciary Funds	Correct opening net position related to the adoption of GASB 84.	Factual	(235,068)	235,068

QUALITY OF THE CITY’S FINANCIAL REPORTING

A discussion will be held regarding the quality of the City’s financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
- ▶ Our conclusions regarding significant accounting estimates
- ▶ Significant unusual transactions
- ▶ Financial statement presentation
- ▶ New accounting pronouncements
- ▶ Alternative accounting treatments

Internal Control Over Financial Reporting

In planning and performing our audit of the City’s financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing and in a timely manner, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the City’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

- ▶ We have communicated to management of the City control deficiencies and provided suggestions for improvement of those deficiencies that were identified as a result of our audit that we did not consider to be material weaknesses or significant deficiencies.

Control Deficiency	Comments
Revenue relating to the Nevada Association of Counties (NACO) Indigent Accident Fund (IAF) grant was inappropriately deferred due to inadequate understanding of the terms of the grant.	Management should enhance its training and controls regarding the recognition of revenue relating to grants, including non-Federal grants, to ensure revenue is recognized in the appropriate period.
Deferred inflows and deferred outflows related to pension and OPEB plans were inappropriately netted.	Management should review its controls over evaluation of deferred inflows and outflows to ensure they are recorded appropriately.
The City adopted GASB 84 in 2019 and did not properly identify impacts on revenues and net position for all funds.	Management should review its controls over the adoption of new accounting standards to ensure all impacts are appropriately considered.
Internal audit identified a deficiency during the year ended June 30, 2020 related to inadequate physically safekeeping of personally identifiable information within the Human Resources department.	The Human Resources department was in the process of remediating the deficiency through the new Tyler ERP system as of June 30, 2020.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the City:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the City’s financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
Nature and extent of specialized skills or knowledge needed related to significant risks	<p>The nature and extent of specialized skills or knowledge needed to perform the planned audit procedures or evaluate audit results related to significant risks are outlined below:</p> <ol style="list-style-type: none"> 1) The engagement team utilized an auditor’s expert to assist with testing the valuation of liabilities related to Pension and OPEB liabilities 2) The engagement team utilized an auditor’s expert to assist with testing the valuation of investments
If applicable, extent to which our plan to use the work of others and the basis for our determination that we can serve as the principal auditor has changed since our planning communication	<p>Since our Audit Planning communications, we identified the following changes:</p> <ol style="list-style-type: none"> 1. We did not audit the financial statements of the Carson City Culture and Tourism Authority and Carson City Airport Authority, which are discretely presented component units of the City , that, when combined, represent all of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses of the City’s discretely presented component units. 2. Those financial statements were audited by Casey Neilon, Inc., and Eide Bailly, LLP, respectively, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts reported for the Carson City Culture and Tourism Authority and Carson City Airport Authority, is based solely on the report of the other auditors.
Consultations with other accountants	We are not aware of any consultations about significant accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent accountants on the application of generally accepted accounting principles.
Our evaluation of the City’s relationships and transactions with related parties and their impact on the financial statements	We have evaluated the City’s process to identify, authorize and approve, account for, and disclose its relationships and transactions with related parties and noted no significant issues.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the City’s financial statements or to our auditor’s report.

Other Required Communications

Requirement	Discussion Points
Significant difficulties encountered during the audit	Remote work requirements due to the COVID-19 pandemic significantly increased the time needed to complete the audit. However, management was very accommodating and cooperated fully.
Other matters significant to the oversight of the City’s financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the City’s financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.

Independence Communication

Our engagement letter dated September 1, 2020, as amended, describes our responsibilities in accordance with professional standards and certain regulatory authorities and Government Auditing Standards with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the City with respect to independence as agreed to by the City. Please refer to that letter for further information.