



December 27, 2023

To the Honorable Board of Commissioners  
Washoe County, Nevada  
Reno, Nevada

We have audited the financial statements of Washoe County, Nevada (the County) as of and for the year ended June 30, 2023, and have issued our report thereon dated December 27, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our engagement letter dated August 31, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs. Our audit of the financial statements and major federal program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards, as it relates to the audit of the County's major federal program compliance, is to express an opinion on the compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 27, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 27, 2023.

#### **Planned Scope and Timing of the Audit**

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

#### **Compliance with All Ethics Requirements Regarding Independence**

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

#### **Significant Risks Identified**

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks." We have identified the following as significant risks:

- Management Override of Controls - Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified a significant risk that management could potentially override controls that the County has implemented with the intent of manipulating the financial statements to overstate the County's financial performance or to conceal fraudulent transactions.
- Improper Revenue Recognition – Professional standards include a presumptive risk of revenue recognition. Accordingly, we identified revenue recognition as a significant risk to address the possibility that revenue could be materially misstated due to error or potential fraud.
- Implementation of GASB 96, *Subscription-Based Information Technology Arrangements* - We identified a significant risk relating to the potential for errors in the implementation process, due to the complexity and newness of the standard.
- Significant Estimates: PERS, OPEB, and Self Insurance Incurred but Not Reported (IBNR) Related Amounts – The pension, other post-employment benefit (OPEB), and self-insurance IBNR related amounts are subject to significant estimation and allocation to the County and have complex disclosures and financial reporting. Accordingly, we have identified the significant estimates for pensions, OPEB, and self-insurance IBNR related amounts as a significant risk.

- Management Override of Controls (single audit) - Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified a significant risk that management could potentially override controls that the County has implemented with respect to federal grant compliance. Management may override the County's controls applicable to the compliance requirements for federal awards with the intent of concealing fraudulent transactions.
- Coronavirus State and Local Fiscal Recovery Fund – The County received a significant amount of funding under the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). The CSLFRF is being tested as a major federal award program for compliance. This program is designated as higher risk in the *OMB Compliance Supplement* and includes changes in guidance published by U.S. Treasury. Given these factors, we have identified the overall program as a significant risk in relation to compliance.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, the County changed accounting policies related to accounting for leases to adopt the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning July 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the other postemployment benefits liability is based on actuarial valuations. Actuarial valuations are based on the substantive plan and include the types of benefits in force at the valuation date and the pattern of sharing benefits between the County and the plan members. We evaluated the key factors and assumptions used to develop the postemployment benefits liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Management's estimate for pending claims – health benefits and worker's compensation is based upon third party analysis of claims trends, historical evidence, claim lag days, and current employee counts. We evaluated the key factors and assumptions used to develop the estimate of the claims IBNR in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to:

- Investment and investment-related activities
- Long-term liabilities
- Net position and fund balance
- Pensions and other postemployment benefits
- Restatements

#### **Significant Difficulties Encountered during the Audit**

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

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- A prior period adjustment was recorded to account for full accrual revenues and receivables in the Fiduciary Funds totaling for \$38,022,366. In addition, fiscal year 2023 revenues and receivables were adjusted to full accrual totaling \$114,526 for revenues and \$38,136,892 for due from other governments.

- In the government-wide governmental activities and the Other Restricted Fund there was a prior period adjustment due to an understatement of receivables, Opioid settlement revenue and unavailable revenues totaling \$2,276,005. In the government-wide governmental activities there was a prior period adjustment totaling \$12,108,844 for unrecorded receivables and revenues.
- In the government-wide governmental activities and the Other Restricted Fund there was a prior period adjustment for the understatement of grant revenue and overstatement of unearned revenue totaling \$1,238,463 relating to the Coronavirus State and Local Fiscal Recovery Funds.
- In the government-wide governmental activities there was an understatement of deferred grant income - unearned and an overstatement of revenues totaling \$83,419,762.
- \$1,895,784 in interest revenue reclassified from unearned revenue in the Other Restricted Fund relating to the Coronavirus State and Local Fiscal Recovery Funds.
- In the government-wide governmental activities there was a prior period adjustment for the overstatement of receivables and revenues totaling \$9,134,138 and for \$2,792,074 in the Non Major Governmental Funds for the improper recognition of a cost sharing interlocal agreement.
- Capital outlay and other financing sources were understated in the General Fund due to leases under GASB 96 *Subscription-based Information Technology Arrangements* and 87 *Leases* totaling \$2,943,711.
- An understatement of the Fiduciary Funds assets, liabilities and net position totaling \$9,250,644 due to missing component unit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- General Fund – Capital outlay and Other Financing Sources was understated by \$1,141,178 for software subscriptions.
- Government-wide governmental activities - amortization for right to use assets was overstated by \$2,642,391 and amortization expense was understated \$1,340,968 and net position was understated by \$1,301,423.

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2023, is an overstatement of net income of approximately \$1.3 million, and overstatement of net position of approximately \$2.6 million.

#### **Disagreements with Management**

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

#### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We identified certain items that affected the form and content of the auditor's report as follows:

#### *Adoption of New Accounting Standards*

As discussed in Note 1, 6, 9 and 20 to the financial statements, the County has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the County's governmental activities and the discretely presented component unit's net position as of July 1, 2022, to restate the net position. Our opinions are not modified with respect to these matters.

As discussed in Note 1 and 20 to the financial statements, the discretely presented component unit has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, for the year ended June 30, 2023. Accordingly, the presentation and disclosure of the restatement in the financial statements conform to the requirements of the new standard for the year ended June 30, 2023, to restate beginning net position of the discretely presented component unit. Our opinions are not modified with respect to these matters.

#### *Correction of Errors*

As discussed in Note 20 to the financial statements, certain errors resulting from the following as of June 30, 2022, were discovered by management of the County during the year:

- In the government-wide governmental activities and the Other Restricted Fund there was an understatement of receivables, Opioid settlement revenue and unavailable revenues.
- In the government-wide governmental activities and the Other Restricted Fund there was an understatement of grant revenue and an overstatement of unearned revenue relating to the Coronavirus State and Local Fiscal Recovery Funds.
- In the government-wide governmental activities there was an understatement of deferred grant income - unearned and an overstatement of revenues for the Coronavirus State and Local Fiscal Recovery Funds.
- In the government-wide governmental activities and the Non-major Governmental Funds there was an overstatement of receivables and revenues, and an understatement of unearned revenue relating to the Nevada Shared Radio System.
- In the Fiduciary Funds there was understatement of the assets, liabilities and net position due to a missing component unit.
- In the Fiduciary Funds there was understatement of the receivables and revenues.

Accordingly, a restatement has been made to the Other Restricted Fund and the Other Nonmajor Governmental Funds fund balances and the government-wide governmental activities and fiduciary funds net position as of June 30, 2022, to correct the errors. Our opinions are not modified with respect to that matter.

#### *Qualified Opinion on Coronavirus State and Local Fiscal Recovery Fund*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Washoe County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Coronavirus State and Local Fiscal Recovery Fund for the year ended June 30, 2023.

*Matter Giving Rise to Qualified Opinion on Coronavirus State and Local Fiscal Recovery Fund* As described in the accompanying schedule of findings and questioned costs, Washoe County did not comply with requirements regarding Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Fund as described in finding number 2023-006 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the Washoe County to comply with the requirements applicable to that program.

### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 27, 2023.

### **Management's Consultations with Other Accountants**

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

### **Other Significant Matters, Findings, or Issues**

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

### **Noncompliance with Laws and Regulations (if applicable, if not, delete paragraph)**

We have identified the following matters involving noncompliance with laws and regulations that came to our attention during the course of the audit.

#### **Compliance**

Management believes that the County conformed to all significant statutory and administrative code constraints on its financial administration during the fiscal year. A negative balance of (\$99,758) appears on the General Fund under the area of "intergovernmental" and a negative balance of (\$360,907) appears on the Truckee River Flood Management Infrastructure Fund and a negative balance of (\$605,343) in the Capital Facilities Tax Fund both under the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual under the Public Safety Expenditures. The negative amounts reported above are allowed under NRS 354.626 section 2 (k) – "The receipt by a local government of increased revenue that: (1) was not anticipated in the preparation of the final budget of the local government; and (2) is required by statute to be remitted to another governmental entity." A negative variance of (\$133,929) appears in the Debt Service fund and a negative variance of (\$413,541) appears in the Special Assessment Debt Service Fund. These two negative amounts reported are allowed under the above listed NRS and NRS 354.626 section 1 "No governing body or member...in excess of the amounts appropriated for the function, other than bond repayments, medium-term obligation repayments and any other long-term contract expressly authorized by law."

## **Other Information Included in Annual Reports**

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the County's annual reports does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

However, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor**

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.

### *Correction of Errors*

As discussed in Note 20 to the financial statements, certain errors resulting from the following as of June 30, 2022, were discovered by management of the County during the year:

- In the government-wide governmental activities and the Other Restricted Fund there was an understatement of receivables, Opioid settlement revenue and unavailable revenues.
- In the government-wide governmental activities and the Other Restricted Fund there was an understatement of grant revenue and an overstatement of unearned revenue relating to the Coronavirus State and Local Fiscal Recovery Funds.
- In the government-wide governmental activities there was an understatement of deferred grant income - unearned and an overstatement of revenues for the Coronavirus State and Local Fiscal Recovery Funds.
- In the government-wide governmental activities and the Non-major Governmental Funds there was an overstatement of receivables and revenues, and an understatement of unearned revenue relating to the Nevada Shared Radio System.
- In the Fiduciary Funds there was understatement of the assets, liabilities and net position due to a missing component unit.
- In the Fiduciary Funds there was understatement of the receivables and revenues.

This report is intended solely for the information and use of the Board of County Commissioners, the audit committee and management of the County and is not intended to be, and should not be, used by anyone other than these specified parties.



Reno, Nevada