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CPAs & BUSINESS ADVISORS

**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (Washoe County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Washoe County's basic financial statements, and have issued our report thereon dated January 25, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Washoe County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Washoe County's internal control. Accordingly, we do not express an opinion on the effectiveness of Washoe County's 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2015-A and 2015-B that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washoe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Washoe County's Response to Findings**

Washoe County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. Washoe County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Washoe County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washoe County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada  
January 25, 2016

**WASHOE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015**

***Findings Relating to the Financial Statements Reported in Accordance with GAGAS:***

Finding 2015-A

Significant deficiency

*Criteria and Condition:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting revenue received shortly after year end is a key component of effective internal control over financial reporting.

A journal entry was required to properly report centrally assessed taxes received in July. The taxes were assessed and collected in the year ended June 30, 2015 and remitted to Washoe County in July 2015. The amount should have been recorded as amounts due from other governments and revenue at June 30, 2015.

*Effect:* Amounts due from other governments and revenues were understated before the adjustment.

*Cause:* Due to significant turnover and personnel changes in the Comptroller's staff near year end, and given the daily responsibilities of the Comptroller's staff, the resources of time and training necessary to analyze payments received after year end were diminished. As a result, this payment of centrally assessed taxes was recorded in the year received rather than the year earned.

*Recommendation:* We recommend the Comptroller's staff analyze all payments received shortly after (within 60 days of) year end to ensure the payments are recorded in the proper year.

*Views of Responsible Officials and planned corrective action:*

Washoe County acknowledges the importance of properly reporting revenue. Comptroller's staff will continue to analyze all payments to ensure proper recording, including those received within 60 days of year end.

**WASHOE COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2015  
(CONTINUED)**

Finding 2015-B

Significant deficiency

*Criteria and Condition:* Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Properly reporting accreted interest on capital appreciation bonds is part of effective internal control over financial reporting.

A prior period adjustment in the amount of \$4,732,133 was required to properly report accreted interest on capital appreciation bonds issued in 2008 and 2009. In addition, an adjustment was required to record current year accreted interest in the amount of \$1,036,301.

*Effect:* Accreted interest on capital appreciation bonds was understated by \$5,768,434 and net position was overstated by a like amount prior to these adjustments.

*Cause:* This is the first capital appreciation bond issued by the County. A procedure was not in place to record the accreted interest on capital appreciation bonds and as a result, it was inadvertently overlooked in prior years.

*Recommendation:* We recommend the Comptroller's staff add a step to the year-end procedures to record the accreted interest on the capital appreciation bonds.

*Views of Responsible Officials and planned corrective action:*

Washoe County will continue to follow the lead of its auditors, for current and overlooked items, and add a step to include the recognition of accreted interest on its capital appreciation bonds.



CPAs & BUSINESS ADVISORS

## **Auditor's Comments**

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

In connection with our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washoe County, Nevada (the County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the County failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

### **Statute Compliance**

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

### **Progress on Prior Year Statute Compliance**

There were no potential statute violations noted in the audit report for the year ended June 30, 2014.

### **Prior Year Recommendations**

There was one financial statement finding reported in the prior year report.

### **Current Year Recommendations**

The current year findings is reported in the Schedule of Findings and Responses.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Reno, Nevada  
January 25, 2016