



**HINTONBURDICK**  
CPAs & ADVISORS

November 19, 2018

To the Honorable Mayor and City Council  
City of Fernley  
Fernley, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fernley for the year ended June 30, 2018, and have issued our report thereon dated November 19, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our multi-year engagement letter to you dated August 23, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 1, the City changed accounting policies related to the application of other postemployment benefits other than pensions (OPEB) and pension accounting and financial reporting requirements by adopting GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and GASB Statement No. 82, *Pension Issues*, in fiscal year 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide statement of activities and the statement of revenues, expenses, and changes in net position – proprietary funds as a restatement adjustment to beginning net position.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on the assigned depreciation lives. We evaluated the key factors and assumptions used to develop the depreciation lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital contributed by developers is based on the estimated value of the developers' construction costs. We evaluated the key factors and assumptions used to develop the amount of contributed capital in determining that it is reasonable in relation to the financial statements taken as a whole. While the procedures used by management to estimate these costs appear reasonable, there may be differences between

the City's estimates and actual costs paid by developers, and these differences may be material.

Management's estimate of the compensated absences accrual is based on current pay rates and accrued vacation and sick pay hours. We evaluated the key factors and assumptions used to develop the compensated absences accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of other postemployment benefit obligations payable is based on an independent actuarial valuation as of January 1, 2016 and a measurement date of June 30, 2017. The key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, management's estimates have been determined on the same basis as they are reported by the Public Employees' Retirement System of Nevada (PERS). The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Allocations between governmental activities and business-type activities are based on the pro-rata share of pension contributions. The key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

Allocations between governmental activities and business-type activities are based on the pro-rata share of covered payroll. The key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 19, 2018.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis (MD&A), Budgetary Comparison Schedules, pension-related schedules and OPEB related schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Statements, and Individual Fund Budgetary Comparison Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on Letter of Transmittal and the Statistical Information, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### Restriction on Use

This information is intended solely for the use of City Council and management of City of Fernley and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



HintonBurdick, PLLC

