

**CITY OF FERNLEY, NEVADA**  
**SINGLE AUDIT ACT REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2021**

**CITY OF FERNLEY, NEVADA**

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**Independent Auditors' 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***

The Honorable Mayor and City Council  
City of Fernley, 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, each major fund, and the aggregate remaining fund information of the City of Fernley, Nevada, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
November 18, 2021



**Independent Auditors' Report on Compliance for  
Each Major Program and on Internal Control over  
Compliance Required by the Uniform Guidance**

The Honorable Mayor and City Council  
City of Fernley, Nevada

**Report on Compliance for Each Major Federal Program**

We have audited the City of Fernley, Nevada's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 18, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



HintonBurdick, PLLC  
St. George, Utah  
November 18, 2021



**CITY OF FERNLEY, NEVADA**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2021**

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:

- Material weaknesses identified?      \_\_\_ yes     X  no
- Significant deficiencies identified?      \_\_\_ yes     X  no

Noncompliance material to financial statements noted?      \_\_\_ yes     X  no

Federal Awards

Internal Control over major programs:

- Material weaknesses identified?      \_\_\_ yes     X  no
- Significant deficiencies identified?      \_\_\_ yes     X  no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?      \_\_\_ yes     X  no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?      \_\_\_ yes     X  no

**CITY OF FERNLEY, NEVADA**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2021**

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**Section II - Financial Statement Findings**

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**Material Weaknesses:**

None noted.

**Significant Deficiencies:**

None noted.

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**Section III - Federal Award Findings and Questioned Costs**

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None noted.

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**Section IV - Summary Schedule of Prior Audit Findings**

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None noted.

**CITY OF FERNLEY, NEVADA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

<u>Grantor Agency</u>	<u>Federal Assistance Listing (CFDA) Number</u>	<u>Pass-Through Identifying Number</u>	<u>Additional Award Identification</u>	<u>Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<b>U.S. Department of Housing and Urban Development:</b>					
<b>Passed through the State of Nevada Governor's Office of Economic Development - State Administered CDBG Cluster:</b>					
Community Development Block Grant/State's Programs and Non-Entitlement Grants in Hawaii (Main Street Corridor Ph 3)	14.228	18/PF/02		<u>102,044</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>102,044</u>	<u>-</u>
<b>U.S. Department of Treasury:</b>					
<b>Passed through Nevada Governor's Finance Office:</b>					
Coronavirus Relief Fund	21.019	N/A	COVID-19	<u>2,881,588</u>	<u>234,997</u>
Total U.S. Department of Treasury				<u>2,881,588</u>	<u>234,997</u>
Total expenditure of federal awards				<u>\$ 2,983,632</u>	<u>\$ 234,997</u>

The accompanying notes are an integral part of this schedule.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

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**Reporting Entity:**

The accompanying schedule of expenditures of federal awards (schedule) presents the activity or expenditure of all federal awards programs of the City of Fernley, Nevada (City) for the year ended June 30, 2021. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**Basis of Accounting:**

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**Relationship to Basic Financial Statements:**

Expenditures of federal awards have been reported in the following funds:

Major funds:	
Grants fund	\$ 2,983,632
	<hr/>
	<u>\$ 2,983,632</u>

**Indirect Cost Rate:** The City did not elect to use the 10% de Minimis indirect cost rate for fiscal year 2021.

**Federal Loans and Loan Guarantee Programs Outstanding:**

The City had the following federal loans outstanding at June 30, 2021 for which federal compliance requirements applied during the fiscal year:

2017 Sewer Loan (66.458 - Capitalization Grants for Clean Water State Revolving Loan Fund)	1,285,407
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