



August 31, 2023

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

This letter is provided in connection with our engagement to audit the financial statements and to audit compliance over major federal award programs of Washoe County, Nevada (the County), as of and for the year ended June 30, 2023. Professional standards require that we communicate with you certain items including our responsibilities with regard to the financial statement audit, the compliance audit, and the planned scope and timing of our audits, including significant risks we have identified.

### **Our Responsibilities**

As stated in our engagement letter dated April 6, 2023, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and in accordance with any state or regulatory requirements for the purpose of forming and expressing opinions on the financial statements and on major federal award program compliance. Our audits do not relieve you or management of your respective responsibilities.

Our responsibility as it relates to the schedule of expenditures of federal awards is to evaluate its presentation for the purpose of forming and expressing an opinion as to whether it is presented fairly in all material respects in relation to the financial statements as a whole.

### **Planned Scope of the Audit**

Our audits will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, but not absolute assurance about whether the financial statements as a whole are free of material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and not be detected by us.

Our audit procedures will also include determining major federal programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs.

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Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or material noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS, *Government Auditing Standards* of the Comptroller General of the United States of America, the requirements of the Single Audit Act, as amended; and the provisions of the Uniform Guidance.

Our audits will include obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, the risk of material noncompliance in the major federal award programs, and as a basis for designing the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control over financial reporting. However, we will communicate to you at the conclusion of our audit, any material weaknesses or significant deficiencies identified. We will also communicate to you:

- Any violation of laws or regulations that come to our attention;
- Our views related to qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures;
- Significant difficulties, if any, encountered during the audit;
- Significant unusual transactions, if any;
- The potential effects of uncorrected misstatements on future-period financial statements; and
- Other significant matters that are relevant to your responsibilities in overseeing the financial reporting process.

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." Although we are currently in the planning stage of our audit, we have preliminarily identified the following significant risks that require special audit consideration.

- 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.

The consolidated financial statements include the financial statements of the Truckee Meadows Fire Protection District (the "District"), which we consider to be a significant component of the consolidated financial statements. Consistent with the audit of the consolidated financial statements as a whole, our audit will include

obtaining an understanding of the District and their environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements of the District and to design the nature, timing, and extent of further audit procedures.

We expect to begin our audit in September 2023 and issue our report by November 30, 2023.

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

Respectfully,

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Reno, Nevada