



## **PREPARATION OF COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

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**Responsible Office:** Office of Business and Financial Services

### **PURPOSE**

This administrative procedure describes the process in which the Comprehensive Annual Financial Report ("CAFR") is prepared by the Office of Business and Financial Services.

### **PROCEDURE**

1. The District is required to have an external financial audit of the financial statements annually per NRS 354.624. This audit is conducted by an external audit firm that is selected through the Request for Proposal (RFP) process and approved by the Board of Trustees ("BOT"). This audit must be concluded and the report submitted to the BOT no later than four months after the close of the fiscal year for which the audit is conducted, unless a request for an extension is submitted to the State Department of Taxation and approved.
2. Prior to the end of the fiscal year, the external auditors provide a Prepared by Client ("PBC") list to Office of Business and Finance management detailing the audit schedules and other information to be provided and the tentative due date.
  - a. The Assistant Controller will distribute the PBC list to the appropriate staff with the date the information is due from their department.
3. The information that is collected from the PBC list is used to prepare a comprehensive set of audit schedules and workpapers, which are prepared by or reviewed by the Assistant Controller; then reviewed and approved by the Controller; then provided by the Assistant Controller to the external audit firm for their review and approval. The major audit schedules consist of:
  - a. Cash and Investments
    - i. Cash audit schedules can be completed as soon as all of the bank reconciliations have been completed and grant funds have been finalized.
    - ii. Investment balances with prior year comparisons can be completed as soon as the custodial investment reconciliations have been finalized.
      1. Arbitrage limit and rebate calculations are completed for bond funds.
  - b. Bonds and Debt
    - i. Debt Service schedules can be completed after all payments against the debt have been made for the fiscal year.

- ii. The calculation of the amount of restricted funds is updated at the time of each bond issue and verified after all debt for the fiscal year has been issued.

c. Accruals

i. Accounts Payable

1. After the split Accounts Payable ("AP") check runs (automatically posts back to previous fiscal year) the Assistant Controller reviews all AP check runs for invoices that are supposed to post back to the previous fiscal year. These found invoices are accrued manually throughout the Audit Process.

ii. Construction in Process ("CIP") / Capital Assets

1. After the split AP check runs are completed, the Bond Accountant prepares the CIP schedule for all ongoing qualifying construction projects and construction projects that were completed throughout the fiscal year.
2. The completed CIP schedule is given to the Assistant Controller to complete the fixed asset reconciliation.
3. The CIP/Capital Asset accruals are handled the same way as the Accounts Payable accruals, but in addition the CIP spreadsheet used in the fixed asset reconciliation needs to be updated every time an accrual is done.

iii. Revenue

1. These accruals are done as the information becomes available and are done manually. Examples of the major accruals follow:
  - a. Local School Support Sales Tax for the months of May and June.
  - b. Distributive School Account (DSA) funds received July 1 of the following year and an annual True-Up calculation.
  - c. WC-1 Sales Tax for capital improvements for the months of April, May and June.
  - d. Property Taxes for the month of June.
  - e. Government Services Tax (formerly Department of Motor Vehicles Privilege Tax) for the month of June.

iv. Insurance Claims and Accruals

1. This information is obtained from the Risk Manager and can be accrued as soon as the actuarial reports are received.
- d. Pension and Other Retirement Liabilities
- i. Pension
    1. This schedule is prepared after the actuarial report is received from the State of Nevada.
  - ii. Other Post Employment Benefits ("OPEB")
    1. This schedule is prepared after the OPEB Trust actuarial report is received for the fiscal year.
- e. Property and Equipment
- i. Schedule of Fixed Assets, to include summary of changes to Fixed Assets by category and by Fund, and equipment / property sales. Schedules of physical inventories.
- f. Due To / Due From and Interfund Transfers
- i. Funds cannot end the year with negative balances. Therefore, for each fund that has a negative balance due to revenues being deferred / received after the close of the fiscal year, an entry is processed to record the balance owed (Due From) by this fund. The General Fund is most often the fund owed the money (Due To).
    1. Prior to processing the above entry, the reason causing each fund to end in a deficit is analyzed. If the entire deficit is collectable and a timing issue only, the entry is recorded. If part or all of the deficit is not collectable because the available amount of funds has been exceeded, a journal entry is processed to move the expenses to another appropriate fund.
  - ii. Interfund Transfers are planned and approved transfers from one fund to another fund without a requirement nor expectation of repayment. A common Interfund Transfer is from the General Fund to the Special Education fund. The Controller ensures that all interfund transfers are completed by fiscal year-end.
- g. Capital Leases
- i. Schedule of all leases exceeding the capital threshold is completed.
- h. Encumbrances
- i. Encumbrances which should not roll forward are closed.

- ii. Encumbrances which should roll forward are rolled forward and budgets rolled forward reconciled to general ledger.
  - i. Schedule of Expenditures of Federal Awards (SEFA)
    - i. Listing of all federal expenditures during the year referenced by the federal Catalogue of Federal Domestic Assistance (CFDA) number.
    - ii. The Data Collection Form (DCF) is prepared by the external auditors, then reviewed, signed and verified submitted by the Grants Department within 30 days of the Board accepting and approving the CAFR in item 6.
  - j. Student Activity Funds (SAF)
    - i. Bank reconciliations of all funds held in SAF accounts.
  - k. Various other minor schedules are prepared relating to items such as Summer School, Employee Leave Accrual Balances, Deferred Revenues, PERS reporting, etc.
- 4. Incorporating new requirements into the preparation and review of the CAFR is required.
  - a. Pronouncements from the Governmental Accounting Standards Board (GASB) are reviewed on an ongoing basis by both the Controller and the Assistant Controller. The Controller's Office is responsible for developing plans and procedures to implement GASB pronouncements.
  - b. The Governmental Accounting, Auditing and Financial Reporting (GAAFR or "blue book") manual serves as a comprehensive source of requirements for public sector accounting and is reviewed on an ongoing basis by the Controller and Assistant Controller.
  - c. Staff consults with the external auditors to discuss the review and implementation of new requirements.
- 5. Annual report assembly
  - a. The Assistant Controller will enter all of the previous year's numbers in the prior year columns in the Comprehensive Annual Financial Report ("CAFR") workbook for all fund financial statements and any other applicable summary statements in the CAFR.
  - b. The original and final budget numbers and the year to date actuals are added to the appropriate columns in the fund financial statements.
  - c. The year-to-date actuals are then added to the combining balance sheets.
  - d. The Government-wide statements are then prepared and balanced to the fund financial statements.

- e. The Management's Discussion and Analysis ("MD&A") report is prepared by the Controller and reviewed by the Chief Financial Officer (CFO).
- f. The Transmittal letter is prepared by the CFO or Controller and is addressed from the CFO to the Board of Trustees.
- g. Fund Balance represents available financial resources to the District. The CFO reviews and determines how Fund Balances will be reported among the five classifications:
  - i. Nonspendable: Cannot be spent because they are either not spendable (inventory) or contractually required (prepaids).
  - ii. Restricted: Can only be spent for specific purposes due to legal requirements, constraints by grantors, regulations of other government agencies, etc.
  - iii. Committed: Can only be spent for specific purposes as approved by the District Board of Trustees.
  - iv. Assigned: Intended to be spent for specific purposes, with authority delegated to the CFO or Superintendent.
  - v. Unassigned: All other spendable amounts.
- h. Required Supplementary Information (RSI) is prepared by the Assistant Controller. The RSI consists of items such as Pension liabilities and Other Post Employment Benefits liabilities.
- i. The statistical section is prepared by the Business Office Accountant and reviewed by the Assistant Controller.
  - i. This section can be started as soon as the fiscal year ends and the District and Washoe County demographics are available.
- j. The Notes to the Financial Statements are prepared by the external auditors, then reviewed and accepted by the Business Office.
- k. The external auditors will provide the Assistant Controller with the Audit Opinions and the Compliance and Control Reports.
  - i. These contain detail descriptions of any Findings (deficiencies in internal controls) that were discovered by the external auditors, referred to as Material Weaknesses and Significant Deficiencies.
    - 1. A Material Weakness is a significant issue, with the possibility existing that a material misstatement of the District's financial statements could occur.
    - 2. A Significant Deficiency is less important than a Material Weakness, yet important enough to merit attention of the District.

- ii. A written response by the District to address all Findings is required and incorporated into the final CAFR.
          - I. All of the information is compiled and presented in a bound report.
6. The CAFR must be completed and submitted to the Board of Trustees no later than four months after the end of the fiscal year, which is October 31. The CAFR is presented to the District's Internal Audit Committee for recommendation that the Board of Trustees approve the report. The CAFR is then presented to the Board of Trustees at a public meeting for final approval not more than 30 days after the report is submitted to the District.
  - a. The CAFR can be emailed to the Board of Trustees without a Board meeting by the deadline and that qualifies to meet the statutory deadline.
  - b. The external auditors will provide a separate management letter to accompany the CAFR that will recommend any changes they have.
  - c. The Business Department will provide a response to these recommendations and work to implement these as needed.
  - d. If the CAFR cannot be completed on time for any reason, an extension may be granted by the State Department of Taxation if the District submits an application for an extension to the State Department of Taxation before the due date.
7. After the CAFR is approved by the Board of Trustees, the report is submitted to the State Department of Education, the State Board of Taxation, the Washoe County Clerk, and to the District's financial advisor as a continuing disclosure item.

## **IMPLEMENTATION GUIDELINES & ASSOCIATED DOCUMENTS**

1. This administrative procedure reflects the goals of the District's Strategic Plan.
2. This administrative procedure aligns with Nevada Revised Statutes (NRS) to include:
  - a. NRS Chapter 354, Local Financial Administration, specifically:
    - i. NRS 354.624, Annual Audit Requirements

## **REVIEW AND REPORTING**

1. This administrative procedure shall be reviewed as part District's standardized review and revision process, or as needed by the Office of Business and Financial Services. Additional associated documents may be developed as necessary to implement and support this document.

**REVISION HISTORY**

Date	Revision	Modification
11/29/2005	A	Adopted as a CSI Procedure
07/20/2020	2.0	Adopted