

Commissioners Minutes

March 1, 2023 – 10:02 a.m. to 10:55 a.m.

**MEETING WITH EIDE BAILLY TO RECEIVE THE FISCAL YEAR 2022 FINANCIAL AUDIT**

Commissioners Brad Holton, Zach Brooks and Leslie Van Beek

Clerk Chris Yamamoto

Controller Zach Wagoner

Treasurer Tracie Lloyd

Chief Deputy Treasurer Jennifer Mercado

COO Greg Rast

Audit Supervisor Sarah Winslow

Jodi Daugherty and Kailey Holt from Eide Bailly

Michael Stowell from the Ambulance District

Deputy Clerk Monica Reeves \_\_\_\_\_

MEETING WITH EIDE BAILLY TO RECEIVE THE FISCAL YEAR 2022 FINANCIAL AUDIT

The Board met today at 10:02 a.m. to receive the Fiscal Year 2022 Financial Audit from Eide Bailly. Present were: Commissioners Brad Holton, Zach Brooks and Leslie Van Beek, Clerk Chris Yamamoto, Controller Zach Wagoner, Treasurer Tracie Lloyd, Chief Deputy Treasurer Jennifer Mercado, COO Greg Rast, Audit Supervisor Sarah Winslow, Jody Daugherty and Kailey Holt from Eide Bailly, Michael Stowell from the Ambulance District, and Deputy Clerk Monica Reeves. Controller Wagoner provided a copy of the County's annual comprehensive financial report which is on file with this day's minute entry. He spoke about the good working relationship with Eide Bailly who is the source of accurate, reliable information for governmental auditing and accounting, and said there's a reason they audit the City of Meridian, City of Nampa, City of Caldwell, Ada County, Canyon County, etc.

Jodi Daugherty began her review by recognizing that Canyon County's financial report is a high-quality product and is the best one she's had the privilege of reviewing. The following financial highlights were noted:

- Independent Auditor's report on Page 10 notes the biggest change is related to the Canyon County Ambulance District where the district needs to be brought into the County's financial statements. *The district will be included but not blended with the activity of the County.* The look of the letter is very different than it has in the past because the standards changed.
- A new standard was implemented this year related to leases.
- Noted the required supplementary information and the fact they do not give an opinion on that information. Reviewed the regular supplementary information that is in the

financial statement and they do give an opinion as it relates to the basic financial statements.

- The State of Idaho requires all governments have an audit in accordance with Government Auditing Standards and the fact that Canyon County receives money from the federal government also makes it so that the County is required to have an audit in accordance with Government Auditing Standards.
- The letter on Page 121 is Eide Bailly's report in accordance with Government Auditing Standards. They are required to look at controls over financial reporting and so they look at those controls as they are auditing. They are not giving an opinion on the effectiveness of the controls, but they do look at them in relation to their testing and if they had come across something they considered to be a control deficiency then they would evaluate whether it was a significant deficiency or a material weakness. Eide Bailly did not have any control deficiencies that they came across that they needed report in the letter.
- The letter on Page 123 talks about the audit they perform over the federal programs. There are no findings with respect to their audit of the federal awards. There was a single audit of the COVID-19/Coronavirus State and Local Fiscal Recovery Funds. (The money the County received from ARPA.)

Commissioner Brooks asked if Eide Bailly looks at more in-depth internal controls. Ms. Daugherty said they not do that as part of their audit, but if the County wants an additional engagement or service provided where they bring a team in to do an in-depth dive either into the IT side of it, the finance side of it, or both, that is something Eide Bailly can provide. Kailey Holt said they look at reconciliations that are prepared by the Treasury and they look at journal entry reports to make sure there is no management override, and they look at cash reconciliations, cash disbursements, to make sure they are seeing evidence of reviews and that there are controls are in place.

Kailey Holt's review was as follows:

- Page 14 - Management's Discussion and Analysis - is the most user-friendly way to read the financial information and see major highlights and things management felt were important enough to call out specifically. It also provides a year-over-year comparison to FY2021.
- Page 26 is the Basic Financial Statements and includes the addition of the component unit for the ambulance district is new this year.
- Total assets for the County increased by \$20.7M primarily due an increase in cash and investments held by the County. The LGIP (Local Government Investment Pool) is held by the Idaho State Treasury Department and had some good interest earnings.
- Total liabilities increased by \$69M but \$45M of that is the net pension liability which is the requirement by GASB to report on the balance that's managed by PERSI. Last year it was in an asset position because the markets were doing well, but they have since taken a turn and that's where the \$45M liability came from; however, that liability amount does

not represent any future commitment by the County. The requirement of the County is to continue paying the employer contributions to PERSI.

- The ending net position of the County is in a very strong position showing an overall increase from 2021 of \$5.6M.
- Page 27 is the Income Statement which shows an overall increase in revenues of \$9.7M primarily for operating grants and contributions, and about \$6M is through the ARPA money. It's nonrecurring and is a onetime grant as a result of COVID-19.
- Expenses increased by \$23.9M and a lot of that comes from the investment in the personnel. Controller Wagoner clarified that there is a distinct difference in accounting between an expense and an expenditure. The expenses we're talking about include the changes in the net pension liability and because the stock market had a brutal year what was previously an asset became a \$45M liability that also influenced expenses.
- Page 28 is the Balance Sheet of the major funds. This will be the last year the indigent fund will be reported for the County. For FY2023, public defender has been transferred to the justice fund and whatever is remaining from indigent medical is in the current expense fund.
- Page 30 is the Statement of Revenues, Expenditures, and Changes in Fund Balances and Controller Wagoner believes it's the most useful page for the County as far as what we do and what we deal with on a day-to-day basis. It represents the actuals. For our governmental funds in total, total revenues are \$105M; total expenditures are \$98M. The increase in fund balance is \$7.5M to an ending balance of just over \$66M, which is approximately 66% of what was spent for all governmental funds. The total capital outlay in 2022 was over \$9M and the majority of that was for the Fair Expo building.
- Page 32 is the Statement of Net Position for Solid Waste Management Fund and the Self-Funded Health Insurance Fund. The landfill ended in a strong positive net position of \$19.6M.
- Review of summary of footnotes:
  - Note 1: Summary of Significant Accounting Policies. The addition of the lease payable footnote which is a result of the implementation of a new GASB 87 for the addition of leases. That's the biggest change from previous financial statements.
  - Note 3: Cash and Investments
  - Note 8: Capital Assets (Land, Buildings and Equipment)
  - Note 9: Leases Payable - This is the new footnote as result of the new accounting standard and the lease required to be reported is the lease for the County jail trailers of \$2.8M.
  - Note 14: Pension Plan is the information behind the estimates of the net pension liability amount.
  - Note 17: Discreetly Presented Component Unit highlights the important footnotes that are in the ambulance district's financial statement.

Commissioner Brooks asked if it's possible next year to receive the report 3-4 weeks in advance of the meeting because there is a lot of information to review. Controller Wagoner said they are committed to providing the information as quickly and accurately as they can to the Board and they can work towards providing more time to review the information before the meeting with Eide Bailly. Ms. Holt said next year will have another major accounting standard on the horizon (GASB 96) which pertains to subscription-based technology agreements and bringing those arrangements onto the balance sheet. Clerk Yamamoto said they could come back at a later date so the Board could have more time to digest the information and formulate questions. The Clerk and Controller are scheduled to meet with the Board once a month and are happy to discuss any part of the report.

Ms. Daugherty reviewed Eide Bailly's letter dated February 22, 2023 which talks about what their responsibilities were with the audit. This is where they would communicate with the County if they had difficulties during the audit or had disagreements with management they would tell the Board but they didn't have any. There was one uncorrected misstatement pertaining to the LGIP adjustment. The letter states management decided this wasn't material in its aggregate to post. (This letter is on file with this day's minute entry.) Clerk Yamamoto expressed his appreciation to the Controller and others who have worked on the report. The meeting concluded at 10:55 a.m. An audio recording is on file in the Commissioners' Office.



February 22, 2023

To the Board of County Commissioners  
Canyon County, Idaho  
Caldwell, Idaho

We have audited the financial statements of Canyon County, Idaho (the County) as of and for the year ended September 30, 2022, and have issued our report thereon dated February 22, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated September 8, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the County complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the County solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the County's major federal program compliance, is to express an opinion on the compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances 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, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the County's internal control over compliance.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated February 22, 2023. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated February 22, 2023.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

As stated in our auditor's report, 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." We have identified the following as significant risks.

- Management Override of Controls
- Improper Revenue Recognition (both exchange and non-exchange type transactions)

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the County is included in Note 1 to the financial statements. As described in Note 1 and Note 16, the County changed accounting policies related to accounting for leases to adopt the provisions of GASB Statement No. 87, *Leases*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning October 01, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the possible liabilities associated with self-insurance is based on prior history and recent information. We evaluated the key factors and assumptions used to develop the self-insurance liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the liabilities associated with closure, post-closure and corrective action costs for the landfill are based on prior history and recent information. We evaluated the key factors and assumptions used to develop the landfill liabilities and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the net pension asset/liability and deferred inflows/outflows of resources related to the net pension asset/liability are based on actuarial estimates provided by Milliman to PERSI and the Schedule of Employer Allocations and Collective Pension Amounts provided by PERSI. This schedule was audited by independent auditors. We evaluated the key factors and assumptions used to develop the net pension asset/liability and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of lost public sector revenue. The County computed lost public sector revenue by computing the historical 3-year revenue growth for the County and calculating what the estimated losses were as a result of COVID-19. We evaluated the calculation of lost public sector revenue taken in Fiscal Year 2022 and compared it to the revenue growth for the County's past three fiscal years, for reasonableness to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the County's financial statements relate to the disclosure of the net pension asset/liability in Note 13, as this footnote supports the assumptions made and inputs used to determine the other net pension asset/liability.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- General fund adjustment for \$79,000 to record the LGIP investments at fair market value
- Indigent Fund adjustment for \$6,000 to record the LGIP investments at fair market value
- Business-type activities adjustment for \$25,000 to record the LGIP investments at fair market value

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended September 30, 2022, is an overstatement of government-wide change in net position of approximately \$85,000 and overstatement of ending net position of approximately \$85,000. For business-type activities, the effect of the uncorrected misstatement, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended September 30, 2022, is an overstatement of business type change in net position of approximately \$25,000 and overstatement of ending net position of approximately \$25,000.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. As described in Notes 1 and 16 to the financial statements, due to the adoption of GASB Statement 87, *Leases*, the County restated opening balances as of October 1, 2021. We have included an emphasis of matter in our report regarding this restatement.



In addition, the following was added to our report related to the Canyon County Ambulance District, the discretely presented component unit.

*Qualified Opinion on the Discretely Presented Component Unit*

In our opinion, based on our audit and the report of other auditors, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit of the County, as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Canyon County Ambulance District (the Ambulance District), which is a discretely presented component unit and represents 100% of the assets, net position, and revenues of the discretely presented component unit as of September 30, 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Ambulance District, is based solely on the report of the other auditors.

*Matter Giving Rise to Qualified Opinion on the Discretely Presented Component Unit*

Management of the Ambulance District has not performed the actuarial calculations for other post-employment benefits for the governmental activities of the Ambulance District and, accordingly, has not considered the Ambulance District's other post-employment benefit liability. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities of the Ambulance District. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities of the Ambulance District is not reasonably determinable.

**Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated February 22, 2023.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the County, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the County's auditors.

## Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the County's annual reports, does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

The basic financial statements include the financial statements of the County and the Canyon County Ambulance District (Ambulance District), a discretely presented component unit of the County, which we considered to be a significant component of the financial statements. The basic financial statements of the Ambulance District were audited by other auditors, and we did not assume responsibility for the audit performed by the other auditors, rather have referred to their audit in our report. Our decision to refer to the report of the other auditor is based on our evaluation of the materiality of the Ambulance District with respect to the financial statements as a whole. Our audit procedures with respect to the Ambulance District included required correspondence with the other auditor, obtaining and reading their auditor's report and the related financial statements, and other procedures as considered necessary. Our audit procedures with respect to the County included obtaining an understanding of the County and its environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements of the County and completion of further audit procedures.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho