



**AGENDA SUMMARY PAGE**  
**CITY COUNCIL MEETING OF DECEMBER 19, 2007**

**DEPARTMENT: FINANCE AND BUSINESS SERVICES**

**DIRECTOR: MARK R. VINCENT**

Consent  Discussion

**SUBJECT:**

Discussion and possible action on the City of Las Vegas Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2007.

**Fiscal Impact:**

No Impact

Augmentation Required

Budget Funds Available

Amount:

Funding Source:

Dept./Division: Finance and Business Services

**PURPOSE/BACKGROUND:**

NRS 354.624 requires an annual audit of the City be conducted by an independent public accounting firm. It further requires the audit report and the CAFR be presented to the governing body with the recommendations and the summary of narrative comments. The audit was conducted by KPMG LLP. The City received an unqualified opinion.

**RECOMMENDATION:**

Receive the audit report and provide guidance for any management actions.

**BACKUP DOCUMENTATION:**

Submitted after meeting Hardcopy of PowerPoint Presentation by staff

Motion made by GARY REESE to Approve to Accept the report

Passed For: 7; Against: 0; Abstain: 0; Did Not Vote: 0; Excused: 0

RICKI Y. BARLOW, LOIS TARKANIAN, LARRY BROWN, OSCAR B. GOODMAN, GARY REESE, STEVE WOLFSON, STEVEN D. ROSS; (Against-None); (Abstain-None); (Did Not Vote-None); (Excused-None)

**Minutes:**

MARK VINCENT, Director of Finance and Business Services, gave a report by using a detailed PowerPoint presentation, a copy of which was submitted for the minutes. He noted that, in reviewing internal controls, KPMG identified some areas of concern. Regarding Worker's Compensation, the City, as a governmental entity, has the responsibility to recognize medical and compensation benefits for police and fire personnel, if they have heart, lung, cancer or hepatitis illnesses, which, under Nevada Revised Statutes, are assumed to result from employment. About two years ago, Mercer conducted a study and identified a liability with an absolute value of \$170 million, which, at present value on a discounted basis, amounts to about

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\$160 million. This liability was not recorded in 2005, 2006 and 2007; however, KPMG decided and recommended that it be recorded, much like a pension plan, and staff agreed to this.

As a policy, staff has recorded 100 percent, without discounting all the current/future medical and wage claims for known claims, and this will be expanded to include all unknown claims that might occur up to 20 years out.

KPMG also had a finding with respect to donated capital assets, which resulted from a communication breakdown. Hence, when land is dedicated to the City from a developer, it will be recognized as a donated capital asset.

Lastly, MR. VINCENT read for the record KPMG's observations: 1) The City operates a self-insured program for Workers' Compensation. Accordingly, the City should have recognized the liability in its General Ledger for self-insured claims received and unpaid, as well as an estimate for the claims incurred but not recorded. Currently, the City does not have formal procedures in place to properly estimate the amount of its self-insured incurred but not recorded claims, obligation or the case development of recorded claims. Such procedures currently include evaluation of historical claims' payment experience through development of lag tables, trend analysis and specific identification of high-exposure cases. The recommendation was that the City have an annual actuarial loss reserve evaluation of the City's compensation claims. 2) Internal controls over recording donated capital assets were not designed appropriately to ensure that they quantified and recorded the value of the donated capital assets on their financial statements in the fiscal year of donation. The City should design and implement internal controls to ensure that all capital asset donations are valued and presented properly on the financial statements for the fiscal year of donation.

MR. VINCENT continued with his report. He pointed out that people often assume that the City is flushed with cash because of the basic financial statements required under the new GASB (Government Accounting Standards Board) 34 rules. But, as depicted on the Cash & Cash Equivalents slide, about 90 percent of the City's Cash & Cash Equivalents is tied up in the capital project and proprietary funds. General Fund revenues increased only by 3.6 percent, and that percentage is expected to be lower in the upcoming year. General Fund expenditures increased 12 percent due to 95 added positions, mostly in the areas of fire, police and parks and recreation maintenance. The fund balance decreased from \$97 million to \$89 million, including the reserve portion.