



WASHOE COUNTY

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CM/ACM _____

Finance _____

DA _____

Risk Mgt. – N/A

HR _____

Other N/A _____

STAFF REPORT

BOARD MEETING DATE: February 9, 2016

DATE: January 28, 2016
TO: Board of County Commissioners
FROM: Mark Mathers, Budget Manager
(775) 328-2071, mmathers@washoecounty.us, and
THROUGH: Al Rogers, Director of Management Services
(775) 328-2017, arogers@washoecounty.us
SUBJECT: Acknowledge Receipt of Report on Agreed-Upon Procedures for Collection of the AB 104 Gaming Tax from Grant Thornton LLP and direct staff as appropriate. (All Commission Districts)

SUMMARY

The attached report, prepared by the accounting firm of Grant Thornton LLP, concerns the collection of the County's AB 104 gaming tax, which was imposed pursuant to Ordinance Number 833 adopted by the Washoe County Board of County Commissioners on June 9, 1991.

Washoe County Strategic Objective supported by this item: Stewardship of Our Community.

PREVIOUS ACTION

On June 9, 1991, upon the adoption of Ordinance Number 833, the Washoe County Board of County Commissioners imposed five new revenues as allowed by Assembly Bill 104, often referred to as the "fair share" bill. These new AB 104 revenues included a new gaming tax.

BACKGROUND

Beginning in Fiscal Year 1991-1992, the County began collections of the AB 104 gaming tax. The tax is limited by law and is calculated by multiplying all other AB 104 revenues projected for the fiscal year by a percentage based on historical gaming tax revenues for Fiscal Year 1990-1991. This percentage is 4.419175%.

Last year, new staff and management of the Budget Office observed that the amount collected from the AB 104 gaming tax had declined precipitously since Fiscal Year 2007-2008. In that fiscal year, total AB104 gaming tax collections were \$823,273. The amount collected since then has declined each fiscal year. The County Manager's Office contracted with the accounting firm of Grant Thornton LLP to validate the new budget team's calculations and to conduct a review of agreed upon procedures. Their report, which includes their findings, is attached.

AGENDA ITEM # 9

FISCAL IMPACT

The cost of this report was paid from existing appropriations in the County Manager's budget.

The fiscal impact of the under-collection of AB 104 gaming taxes is dependent on policy decisions of the Board regarding the period to retroactively collect this tax, if at all, and discussions with other affected government agencies. Beginning in Fiscal Year 2016-17, the County will recalculate and collect the proper amount of AB 104 gaming taxes. Existing law prohibits the Board from adjusting this tax without the consent of all affected government agencies.

RECOMMENDATION

It is recommended that the Board of County Commissioners acknowledge receipt of the attached report on agreed-upon procedures for collection of the AB 104 gaming tax prepared by Grant Thornton LLP and direct staff, as appropriate.

POSSIBLE MOTIONS

Should the Board agree with staff's recommendation, a possible motion would be: "Move to acknowledge receipt of the attached report on agreed-upon procedures for collection of the AB 104 gaming tax." A motion may also contain specific direction to County staff regarding the distribution of this report and other matters.



Report of Independent Accountants on Applying
Agreed-Upon Procedures

Washoe County
(Calculation of Gaming Taxes Authorized by
Washoe County Ordinance Number 833)

Fiscal Years 2007 - 2015



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Report of Independent Accountants on Applying Agreed-Upon Procedures

Management
Washoe County

We have performed the procedures enumerated below, which were agreed to by management of Washoe County, solely to assist you in determining the calculation of the gaming taxes authorized by Washoe County Ordinance Number 833 for the fiscal years beginning July 1, 2006 through June 30, 2015 (the "Subject Matter"). Washoe County's management is responsible for the completeness, accuracy, and reliability of the Subject Matter. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of Washoe County. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows.

1. We obtained and recalculated the revised gaming tax calculations for the gaming taxes imposed by Washoe County Ordinance Number 833 for fiscal years 2007-2015, as shown in Appendix A. We noted the calculation is dependent upon a 4.419175 percentage calculated using amounts from fiscal year 1991. We could not recalculate this percentage as no supporting documentation was available; however, Washoe County provided past data and calculations in which the percentage appears to have been consistently used since the inception of the tax in 1992.
2. We traced all formulas used in the revised gaming tax calculations to Washoe County Ordinance Number 833 without exception.
3. We traced all amounts used in the revised gaming tax calculations to supporting documentation provided by management. The sales tax, property tax, MVPT, RPTT, and interest amounts collected for each fiscal year were also traced to the Nevada State Department of Taxation website without exception. For the calculated gaming tax and actual gaming tax collected amounts, we obtained system-generated billing and collection detail from management and noted certain variances from the supporting documentation, as shown in Appendix A.
4. Using the formulas and supporting documentation obtained above, we recalculated the revised calculated gaming tax as shown on Appendix A without exception.
5. From the system-generated billing detail, we selected a random sample of five renewal notices per quarter for fiscal years 2007-2015. We traced the sample to the renewal notice issued and the system-generated collection detail without exception.
6. We recalculated the allocation of each entitled entity's share of the AB 104 gaming tax variance based on the applicable allocation per the State Department of Taxation website, as shown in Appendix A, without exception.



We were not engaged to and did not conduct an examination or a review, the objective of which is the expression of opinion or limited assurance on the calculation of the gaming taxes authorized by Washoe County Ordinance Number 833 for fiscal years 2007 through 2015. Accordingly, we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Grant Thornton LLP

Reno, Nevada
January 15, 2016

CALCULATION OF AB104 GAMING TAX

Appendix A

AB 104 REVENUE SOURCE WITHOUT GAMING TAX **	FYTD 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2007-2015 TOTAL
SALES TAX .25%	\$ 16,455,711.18	\$ 15,344,740.73	\$ 14,256,376.27	\$ 13,465,638.94	\$ 12,957,648.56	\$ 12,672,217.36	\$ 14,126,500.23	\$ 16,777,470.47	\$ 17,738,989.01	\$ 133,795,292.75
PROPERTY TAX .0272	3,404,889.13	3,368,424.64	3,181,983.13	3,248,981.13	3,752,073.54	4,066,999.73	4,120,875.33	3,883,101.70	3,657,706.76	32,682,756.56
MVPT	57.34	114.68	51.68	230.30	225.85	7.34	804.05	94.94	156.04	1,742.22
RPT	940,448.00	718,120.70	618,593.40	483,235.80	533,397.80	503,163.90	661,428.40	834,033.90	1,177,125.40	6,469,737.30
INTEREST	4,159.36	4,312.74	3,624.69	3,327.67	4,906.64	13,076.20	28,277.51	70,932.28	58,542.54	190,259.63
SUBTOTAL	20,805,465.01	19,435,713.49	18,060,629.64	17,201,413.84	17,248,252.39	17,253,164.53	18,937,885.52	21,564,723.29	22,632,519.75	173,139,767.46
GAMING TAX BASED ON FORMULA 4.419175%	961,939.63	898,609.24	835,032.31	795,306.51	797,472.09	797,699.20	875,592.19	997,043.90	1,046,413.42	8,005,108.49
TOTAL	4,419175%	4,419175%	4,419175%	4,419175%	4,419175%	4,419175%	4,419175%	4,419175%	4,419175%	4,419175%
	\$ 21,767,404.64	\$ 20,334,322.73	\$ 18,895,661.95	\$ 17,996,720.35	\$ 18,045,724.48	\$ 18,050,863.73	\$ 19,813,477.71	\$ 22,561,767.19	\$ 23,678,933.17	\$ 181,144,875.95

VARIANCE OF CALCULATED TAX VERSUS ACTUAL AMOUNT COLLECTED:

REVISSED CALCULATED GAMING TAX	ACTUAL GAMING TAX COLLECTED	DIFFERENCE
\$ 961,939.63	\$ 31,260.14	\$ (930,679.49)
\$ 898,609.24	\$ 49,313.40	\$ (849,295.84)
\$ 835,032.31	\$ 89,651.26	\$ (745,381.05)
\$ 795,306.51	\$ 137,953.46	\$ (657,353.05)
\$ 797,472.09	\$ 216,455.74	\$ (581,016.35)
\$ 797,699.20	\$ 217,710.82	\$ (579,988.38)
\$ 875,592.19	\$ 385,376.77	\$ (490,215.42)
\$ 997,043.90	\$ 823,273.22	\$ (173,770.68)
\$ 1,046,413.42	\$ 797,838.74	\$ (248,574.68)
\$ 8,005,108.49	\$ 2,748,833.55	\$ (5,256,274.94)

* Source: State Department of Taxation, https://tax.nv.gov/Publications/Local_Gov_1_Tax_Act_Distribution/
 ** The above AB 104 revenues are countywide totals, prior to distribution to local governments in Washoe County.

ENTITIES' SHARE OF AB 104 GAMING TAX VARIANCE

ENTITY	WASHOE COUNTY	OTHER
RENO	\$ 621,314.70	\$ 145,239.94
SPARKS	\$ 566,135.40	68,854.13
CARSON TRUCKEE WATER	\$ 496,354.55	1,245.97
INCLINE VILLAGE GID	\$ 496,354.55	9,410.08
NORTH LAKE TAHOE FIRE	\$ 496,354.55	25,791.06
PALOMINO VALLEY GID	\$ 496,354.55	1,373.88
SIERRA FIRE PROTECTION	\$ 496,354.55	15,471.45
SUN VALLEY WATER	\$ 496,354.55	976.62
TRUCKEE MEADOWS FIRE	\$ 496,354.55	39,629.69
VERDI TV	\$ 496,354.55	1,571.98
SUBTOTAL - OTHER	\$ 249,026.49	\$ 309,564.80
TOTAL	\$ 849,295.84	\$ 930,679.50

1. The calculations of entities' share of the variance is based on their percentage of actual AB 104 distributions for the fiscal year, multiplied by the total variance calculated above.
 2. This analysis goes back to FY2007 because that is the last year posted on the State Department of Taxation's website (https://tax.nv.gov/Publications/Local_Gov_1_Tax_Act_Distribution/).

Gaming Tax Collected per above	Gaming tax Collected per system-generated collection detail	Variance
\$ 31,260.14	\$ 30,148.17	\$ (1,111.97)
\$ 49,313.40	\$ 49,303.29	\$ (10.11)
\$ 89,651.26	\$ 89,511.96	\$ (139.30)
\$ 137,953.46	\$ 137,936.94	\$ (16.52)
\$ 216,455.74	\$ 216,382.92	\$ (72.82)
\$ 217,710.82	\$ 216,696.60	\$ (1,014.22)
\$ 823,273.22	\$ 822,971.02	\$ (302.20)
\$ 797,838.74	\$ 797,932.00	\$ 93.26