



Report to Management and Members of the Board of Directors

SILVER STATE ENERGY ASSOCIATION

Audit Wrap Up:
Years Ended June 30, 2021 and 2020

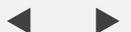
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The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and Audit Committee) and, if appropriate, management of the Client and is not intended and should not be used by anyone other than these specified parties.



Welcome

June 20, 2022

Management and Members of the Board of Directors
Silver State Energy Association

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On January 20, 2022 we presented an overview of our plan for the audit of the financial statements of Silver State Energy Association (the “Organization” or “SSEA”) as of and for the years ended June 30, 2021 and 2020, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

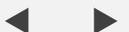
This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the SSEA’s accounting practices and policies, management’s judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the SSEA and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

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Executive Summary

Status of Our Audit

We have completed our audit of the financial statements as of and for the years ended June 30, 2021 and 2020. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- ▶ We issued an unmodified opinion on the financial statements and released our report on June 20, 2022.
- ▶ Our responsibility for other information in documents containing the SSEA's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the SSEA and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of SSEA personnel throughout the course of our work.



Results of the Audit

ACCOUNTING PRACTICES, POLICIES, AND ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the SSEA's accounting practices, policies, and estimates:

The SSEA's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 3 to the SSEA's financial statements.
- ▶ There were no changes in significant accounting policies and practices during fiscal year 2021 and 2020, except for adjustment to beginning balances as of July 1, 2019, related to hedged liabilities and unearned revenue, which had no impact on opening net position as disclosed in Note 1.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The SSEA's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Note 1 of the financial statements.

- ▶ Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in fiscal years 2021 and 2020.

The methods used to account for significant or unusual transactions, and related disclosures, are considered appropriate.

Results of the Audit

QUALITY OF THE SSEA'S FINANCIAL REPORTING

A discussion was held regarding the quality of the SSEA's financial reporting, which included:



Results of the Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

There was one corrected misstatement, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management.

Item #	Account Name and Adjustment Description	Debit	Credit
1	Hedged Liabilities - July 1, 2019		\$2,663,450
	Unearned Revenue - Advances from Members - July 1, 2019	\$2,663,450	
<i>To correctly restate the hedged liabilities and unearned revenue to reflect the electricity and natural gas financial contracts that should be recognized as derivative instruments to the beginning balances as of July 1, 2019.</i>			

There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.





Internal Control Over Financial Reporting

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SSEA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SSEA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SSEA's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the SSEA's internal control over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Control Deficiency	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the SSEA's financial statements will not be prevented or detected and corrected on a timely basis.

Internal Control Over Financial Reporting

In conjunction with our audit, we noted the following:

▶ The following material weaknesses were identified:

Material Weakness	Comments
Accounting for Derivative and Hedging Transactions	<p>The Organization did not properly assess the accounting for derivative and hedging transactions in accordance with GASB 53.</p> <p>Management Response: Financial statements will be formally reviewed by the accounting team and manager to ensure GASB 53 and other complex standards are appropriately implemented.</p>



Additional Required Communications

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the SSEA:

Requirement	Discussion Point
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risks of material misstatement, including fraud risks; or tips or complaints regarding the SSEA's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks, except as follows: <ul style="list-style-type: none"> ➤ We used BDO Valuation & Business Analytics (VBA) to assist in evaluating the market-to-market values and hedge effectiveness for hedge transactions.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Significant findings and issues arising during the audit in connection with the SSEA's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management	There were no significant findings or issues arising during the audit that were discussed, or were the subject of correspondence, with management.

Other Required Communications

Following is a summary of other required items, along with specific discussion points as they pertain to the SSEA:

Requirement	Discussion Point
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the SSEA's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Matters that are difficult or contentious for which the auditor consulted outside the engagement team	There were no difficult or contentious matters that we consulted with others outside the engagement team that we reasonably determined to be relevant to those charged with governance regarding their oversight of the financial reporting process.
If applicable, other matters significant to the oversight of the SSEA's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the SSEA's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter.



Independence

Our engagement letters to you dated August 5, 2020, and January 5, 2022 describe our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. These letters also stipulate the responsibilities of the SSEA with respect to independence as agreed to by the SSEA. Please refer to those letters for further information.





Appendix



Implementation of New GASB Standards

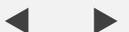
New GASB Standards

In light of the COVID-19 Pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon the issuance date of May 8, 2020, postponed the effective dates of certain provisions in Statements that were first effective for reporting periods beginning after June 15, 2018. The effective dates of certain provisions contained in the following pronouncements were postponed by one year:

- ▶ Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- ▶ Statement No. 91, *Conduit Debt Obligations*
- ▶ Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date of Statement No. 87, *Leases*, has been postponed by 18 months.

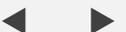
Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.



GASB Statement No. 87, *Leases*

Effective Dates	Date per Pronouncement (as amended)	Date as amended per GASB Statement No. 95
	Fiscal Years Beginning After 12/15/2019	Fiscal Years Beginning After 6/15/2021

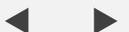
- ▶ Requires recognition of certain lease assets and liabilities for leases that are currently classified as operating leases.
- ▶ New definition of a lease - a contract that conveys the right to use another entity's nonfinancial asset for a period in an exchange or exchange-like transaction.
- ▶ Eliminates the distinction between operating and capital leases.
- ▶ Excludes short-term leases, leases that transfer ownership and service concession arrangements that are covered by GASB Statement No. 60.
- ▶ Lessees would recognize a lease liability and an intangible right-to-use lease asset which would be amortized in a systematic and reasonable manner over the shorter of the lease term or the useful life of the underlying asset.
- ▶ Lessors would recognize a lease receivable and deferred inflow of resources which would be recognized as revenue in a systematic and rational manner over the term of the lease.



GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2019	Reporting Periods Beginning After 12/15/2020

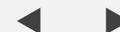
- ▶ Upon implementation, in financial statements using the economic resources measurement focus (business-type activities and enterprise funds) interest incurred during construction should be recognized as an expense of the period.
- ▶ Interest costs on construction-in-progress will be capitalized only to the implementation date of this Statement. The provisions of this Statement are to be applied prospectively and will therefore not require a restatement of any balances.
- ▶ In financial statements using the current financial resources measurement focus (governmental funds), interest incurred during construction should be recognized as an expenditure (no change).
- ▶ If a government has regulated operations as defined by paragraph 476 of GASB Statement No. 62, this Statement does not eliminate or remove the requirement to capitalize qualifying interest costs as a regulatory asset.



GASB Statement No. 91, *Conduit Debt Obligations*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Reporting Periods Beginning After 12/15/2020	Reporting Periods Beginning After 12/15/2021

- ▶ Clearly defines the characteristics of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer.
- ▶ An issuer should recognize a liability associated with an additional commitment or voluntary commitment to support debt service if certain recognition criteria are met.
- ▶ As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether the recognition criteria are met. An issuer that has only made a limited commitment should evaluate whether those recognition criteria are met when an event occurs that cause the issuer to evaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.
- ▶ Standard addresses accounting for arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.
- ▶ Standard enhances note disclosures related to conduit debt.



GASB Statement No. 93, *Replacement of Interbank Offered Rates*

Effective Dates	Date per Pronouncement	Date as amended per GASB Statement No. 95
	Effective as Noted Below	Paragraphs 13 and 14 are Effective for Fiscal Years Beginning After June 15, 2021

▶ Effective for Reporting Periods Beginning After June 15, 2020:

- Provides exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifies the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifies that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifies the definition of reference rate, as it is used in Statement 53, as amended.
- Provides an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. (paragraphs 13 and 14)

▶ Effective for Reporting Periods Ending After December 31, 2021:

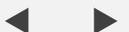
- Removes LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap (paragraph 11b).



GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After June 15, 2022

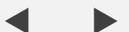
- ▶ For the Public-Private and Public-Public Partnerships (P3s) that meet the definition of a service concession arrangement (SCA), this Statement carries forward the financial reporting requirements for SCAs that were included in Statement 60, with modifications to apply the more extensive requirements related to recognition and measurement of leases to SCAs.
- ▶ For P3s that meet the definition of a lease, the guidance in Statement No. 87 should be applied, if existing assets of the transferor that are not required to be improved by the operator as part of the P3 arrangement are the only underlying P3 assets and the P3s do not meet the definition of an SCA.
- ▶ This Statement provides specific guidance for all other P3s from the perspective of both a government that transfers rights to another party and governmental operators that receive those rights.
- ▶ The Statement requires governments to account for Availability Payment Arrangement (APAs) in which ownership of the asset transfers by the end of the contract as a financed purchase of the underlying infrastructure or other nonfinancial asset. It also requires a government to report an APA that is related to operating or maintaining a nonfinancial asset as an outflow of resources (for example, expense) in the period to which payments relate



GASB Statement No. 96, *Subscription Based Information Technology Arrangements*

Effective Dates	Date per Pronouncement
	Fiscal Years Beginning After June 15, 2022

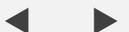
- ▶ Addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. Standard is based on the standards established in Statement No. 87, Leases.
- ▶ Defines a SBITA as a contract that conveys control of the right to use a SBITA vendor’s IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
- ▶ Requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months).
- ▶ Provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.



GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Plans Deferred Compensation Plans*

Effective Dates	Date per Pronouncement
	Effective as Noted Below

- ▶ Effective Upon Statement Issuance - June 23, 2020:
 - Requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs.
 - Requires that the financial benefit burden criteria in Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension and OPEB plans administered through a trust.
- ▶ Effective for Fiscal Years Beginning After June 15, 2021
 - Requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.
 - Requires that a Section 457 plan that meets the definition of a pension apply all accounting and financial reporting requirements relevant to pensions.
 - Clarifies that Statement 84, as amended, should be applied to all Section 457 plans to determine whether those arrangements should be reported as fiduciary activities.





Industry Resources

Industry Risk and Resources

- ▶ BDO's industry focus is part of who we are and how we serve our clients and has been for over a century. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.
- ▶ Our industry practices bring perspective on trends, opportunities, issues and regulations that frame our services and approach to address your needs and your industry.

Home > Industries > Public Sector > Overview

Public Sector

BDO leverages an independent viewpoint to help clients navigate complex, government-wide challenges.

OVERVIEW

FEDERAL GOVERNMENT

Challenging times call for a new perspective.

The public sector is facing many challenges. In addition to political gridlock, the federal deficit has caused many agencies' budgets to shrink over the last several years, meaning that government leaders are under pressure to accomplish more with reduced funding.

BDO's Public Sector Practice serves a wide variety of clients across many levels of government. In addition to our Federal Government clients, we also serve Regional, State, and Local Governments, drawing on deep experience to provide strategic, innovative solutions. Offering a unique depth of capabilities and resources, BDO helps government leaders develop tailored strategies and implement practical solutions that make the most of their limited resources.

KEY CONTACTS



MARK ELLENBOGEN ▶
President/CEO of BDO Public Sector

Accounting, Audit and Other Compliance Considerations for Public Sector Entities Related to COVID-19

The global pandemic is having unprecedented impacts on federal, state, local, tribal and territory governments. Our [COVID-19 resource center](#) helps organizations stay abreast of the latest developments and mitigate risk during this time of uncertainty. For government organizations, the stakes are high as agencies and elected officials work overtime to flatten the curve, save lives and ensure the safety of the American people.

While circumstances are changing daily, our FAQs for the Public Sector answer the most frequently asked questions by government organizations, along with resources to help them respond and plan around each on.



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