



December 13, 2023

Ms. Kellie Grahmann  
State of Nevada  
Department of Taxation  
3850 Arrowhead Drive  
Carson City, NV 89706

Dear Ms. Grahmann:

In response to our auditor's conclusion regarding the city of Reno's compliance with Nevada Revised Statutes (NRS) and Administrative Code (NAC), we offer the following plan of correction action for the specific exceptions noted in Note 2 beginning on page 43 of our Annual comprehensive Finance Report (ACFR) for the fiscal year ended June 30, 2023. The Reno City Council approved this plan on December 13, 2023. An excerpt of the minutes will be sent once they become available in approximately 60 days. A copy of the agenda from the meeting is attached that shows the action item for the plan.

#### Note 2 Excess of Expenditures over Appropriations

For the year ended June 30, 2023, there were no funds and/or functions where total expenditures/expenses exceeded appropriations, which would be a potential violation of NRS 354.626.

The following expenditures in excess of budget were cited as a violation in Note 2, but fall under NRS 354.626 as exemptions:

Expenditures were in excess of budget in the Cabela's Sales Tax Increment Debt Service Fund, Debt Service Function, by \$600.

Expenditures were in excess of budget in the City Debt Service Fund, Debt Service Function, by \$218.

Expenditures were in excess of budget in the Redevelopment Agency Debt Service Fund, Debt Service Function by \$17,658.

Expenditures were in excess of budget in the Self-Funded Risk Fund, Internal Service Fund by \$63,367.

Expenditures were in excess of budget in the Self-Funded Workers Compensation Fund, Internal Service Fund by \$14,281,071.

## Corrective Plan

The City puts forth every effort to ensure compliance with NRS and NAC. Staff is required to present budget augmentations and revisions to City Council prior to June 30 of the year. However, to ensure compliance with GAAP and GASB pronouncements, the City's books are not closed until the end of August, with accounts payable invoices due to the Finance Department by August 15. Furthermore, if there is a material expenditure that occurs in the fiscal year, but an invoice is not received or an adjustment is not otherwise identified, staff is required to record the expenditure back to June 30 of the appropriate fiscal year.

Expenditures were over budget in debt service for both the Cabela's Sales Tax Increment Debt Service Fund and the City Debt Service Fund due to slightly higher than anticipated fiscal agent charges. For the future, the Accounting Manager will prepare budget augmentations if the fees are higher than expected/budgeted.

Expenditures were over budget in the Redevelopment Agency Debt Service Fund due to the interest payment due on an internal loan from the Redevelopment Agency General Fund that was not budgeted. The interest payments will be budgeted going forward until the loan is paid in full.

The overage in the Self-Funded Risk Fund is the result of a \$3.5 million payment for a claim on a lawsuit that existed prior to June 30, 2023, but was settled in September 2023. The Incurred But Not Reported (IBNR) liability was not known until subsequent to year end.

The overage in the Self-Funded Workers Compensation Fund is the result of a \$15.39 million Incurred But Not Reported (IBNR) liability adjustment that was not known until the City received the draft actuarial valuation in October.

The City of Reno will continue to refine policies and procedures with the goal of eliminating future expenditures in excess of budget.

Sincerely,



Vicki Van Buren  
Director of Finance

Enclosure