

STAFF REPORT

Date: October 23, 2024

To: Mayor and City Council

Through: Jackie Bryant, Interim City Manager

Subject: Resolution No. ____ (For Possible Action): Resolution approving Major Fund Designations for Fiscal Year 23/24 required by Governmental Accounting Standards Board for the City of Reno's Annual Comprehensive Financial Report (ACFR).

From: Crystal Dean, Accounting Manager

Department: Finance

Summary:

Each fiscal year the Finance Department identifies the funds to be designated as "major" for financial reporting purposes. Governmental Accounting Standards Board (GASB) Statement No. 34 requires funds meeting certain criteria be designated as major, but also gives Council the authority to designate additional funds as major for reporting consistency issues. Staff recommends Council adopt the attached resolution establishing the General Fund, the Streets Special Revenue Fund, the 2007 Sales Tax Increment Bond Debt Fund, the City of Reno Capital Project Fund, the Sanitary Sewer Enterprise Fund and the Building Permit Enterprise Funds as "major" funds for Fiscal Year 23/24.

Consent Review	Yes	No
1. Is this item an annual or standard item that comes before Council for regular approval?	X	
2. Is this item an agreement required based on an item previously approved by Council?		X
3. Is this item included in the current budget approved and adopted by Council?	N/A	
Other Considerations		
What percent of the total City budget does this item represent?	N/A	

Alignment with Strategic Plan:

Fiscal Sustainability

Previous Council Action:

September 27, 2023 - Council passed Resolution No. 9195, designating the following funds as "major" for Fiscal Year 22/23 financial reporting purposes: the General Fund, the Streets Special Revenue Fund, the 2007 Sales Tax Increment Bond Debt Fund, the City of Reno Capital Project Fund, the Sanitary Sewer Enterprise Fund and the Building Permit Enterprise Fund.

Background:

Governmental financial reporting requirements set forth in GASB Statement No. 34 place the focus of governmental and proprietary fund financial statements on “major” funds. There are three criteria for determining what constitutes a major fund. First, the General Fund (or main operating fund) must always be reported as a major fund. Second, a fund that meets two tests, based on mathematical formulas, must be reported as a major fund. Third, a fund that does not meet the first two criteria but which the government officials believe is particularly important to financial statement users (for example, because of public interest) may be reported as a major fund. Internal Service Funds are excluded from major fund reporting requirements and calculations per GASB Statement No. 34.

Discussion:

Attached, as Exhibit I, is a spreadsheet that identifies the City of Reno’s major funds based on the second criteria referenced in the Background section above. Specifically, governmental and enterprise funds must be reported as “major” if these two tests are both met: (1) total assets, liabilities, revenues or expenditures/expenses of an individual governmental or enterprise funds are at least 10 percent of the corresponding element total (assets, liabilities, revenues or expenditures/expenses) for all funds of that category or type (i.e., total governmental funds or total enterprise funds); and (2) total assets, liabilities, revenues or expenditures/expenses of an individual governmental or enterprise fund are at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

Based on the non-discretionary criteria for determining major funds, the following funds must be classified as major:

- General Fund
- Streets Special Revenue Fund
- 2007 Sales Tax Increment Bond Debt Fund
- City of Reno Capital Project Fund
- Sanitary Sewer Enterprise Fund
- Building Permit Enterprise Sewer Fund

The third criteria for determining a major fund is based on Council's discretion of which funds it believes should be reported as major because of their particular importance to the financial statement users due to public interest or financial viability concerns. Because non-discretionary major funds can change from fiscal year to fiscal year, Council may want to designate a particular fund for reporting consistency purposes. The Finance Department has not identified any additional funds that would be considered a major fund.

Exhibit II lists the remaining governmental and enterprise funds that the Finance Department believes will not meet the non-discretionary criteria for major fund designation. Council is asked to review this list and to determine those funds, if any, it wishes to report as major for public interest purposes. While the Governmental Accounting Standards Board has not officially stated the maximum number of major funds that a governmental entity should report, most literature suggests that there should be no more than seven funds in order to comply with the intent and spirit of the financial reporting model.

Financial Implications:

Major funds shall be treated as opinion or audit units. Each major fund will have its own materiality threshold, whereas the non-major funds will be aggregated and audited as a whole. When a bid for performing an annual audit is calculated, an auditing firm assumes that a governmental entity will have less than six major funds. Based on the contract in place with the City's audit firm, Moss Adams, the audit cost is not expected to exceed the estimated amount.

Legal Implications:

Pursuant to NRS 354.612(2), financial statements and other schedules required for funds must be prepared in accordance with generally accepted accounting principles.

Recommendation:

Staff recommends Council adopt the Resolution.

Proposed Motion:

I move to adopt the Resolution designating the funds staff has identified as meeting the criteria to be considered "major" for financial reporting purposes for Fiscal Year 23/24.

Attachments:

Major Funds Resolution
Exhibit I - Major Funds Calculation
Exhibit II - Discretionary Funds List FY24
Council Presentation