



December 14, 2022

Ms. Kellie Grahmann  
Nevada Department of Taxation  
Local Government Finance Division  
1550 E. College Parkway, Ste 115  
Carson City, NV 89706-7937

Dear Ms. Grahmann:

In response to our auditors' 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 42 of our Annual Comprehensive Finance Report (ACFR) for the fiscal year ended June 30, 2022. The Reno City Council approved this plan on December 14, 2022. An excerpt of the minutes will be sent once they become available in approximately 60 days. However, a copy of the agenda from the meeting is attached that shows the action item for the plan.

Note 2 Expenditures In Excess of Budget Appropriated in Apparent Violation of NRS 354.626:

Expenditures were in excess of budget in the General Fund, Public Safety Function, by \$518,663.

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

Expenditures were in excess of budget in the General Fund, Debt Service Function, by \$227,135.

Expenditures were in excess of budget in the Railroad Debt Service Fund, Debt Service Function, by \$18,612.

Expenditures were in excess of budget in the Debt Service Fund, Debt Service Function, by \$53,291.

Expenditures were in excess of budget in the Room Tax Fund, Special Revenue Fund, by \$288,556.

Expenditures were in excess of budget in the Self-funded Risk Retention Fund, Internal Service Fund, by \$221,449.

Expenditures were in excess of budget in the Self-funded Workers Compensation Fund, Internal Service Fund, by \$3,468,086.

#### 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<sup>th</sup> of each 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 is incurred in the fiscal year but an invoice is not received for processing or an adjustment is not otherwise identified after the August date and up to September 9<sup>th</sup>, staff is required to record the expenditure back to June 30 of the appropriate fiscal year.

Expenditures were over budget in the General Fund's Public Safety Function due to more retirements at year end than were anticipated. Earned accruals are paid out upon retirement.

Expenditures were over budget in the General Fund's Debt Service Function due to the approval of a medium-term obligation between the City of Reno and Axon Enterprises, Inc. regarding the financing and maintaining of in-car video recording devices (dashboard cameras) and related peripheral equipment for the Reno Police Department. For the future, the Accounting Manager will prepare a budget augmentation and/or revision form to inform the budget staff so that these transactions are captured correctly within the budget.

Expenditures were over budget in the Railroad Debt Service Fund's Debt Service due to an additional \$15,000 in principal payments made on the special assessment bonds due to property owners paying off their assessments early and higher than anticipated fiscal agent charges.

Expenditures were over budget in the Debt Service Fund due to municipal services rendered in preparation for the issuance of the General Obligation Bonds, Series 2022.

Expenditures were over budget in the Room Tax Fund due to the approval of a medium-term obligation for the purchase of the Lear Theater. For the future, the Accounting Manager will prepare a budget augmentation and/or revision form to inform the budget staff so that these transactions are captured correctly within the budget.

The overage in the Self-funded Risk Retention Fund is the result of a \$1.2 million claim that was paid in late May.

The overage in the Self-funded Workers' Compensation Fund is the result of a \$5.46 million IBNR liability adjustment that was not known until the City received the draft actuarial valuation in November.

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