

Ken Tedford
MAYOR



Kelly Frost
Councilwoman

Karla Kent
Councilwoman

Paul Harmon
Councilman

MEMORANDUM

TO: Mayor and City Council
FROM: Sean Richardson, City Clerk/Treasurer
DATE: February 13, 2024
RE: Plan of correction for FY2023 ACFR

NRS 354.6245 states the governing body shall advise the Department of Taxation what action has been taken to prevent recurrence of each violation of law or regulation or to correct each continuing violation. The City's Annual Comprehensive Financial Report for the Year Ended June 30, 2023 lists violations under Note 2 of the Notes to the Financial Statement section. See the attached audit letter from the Department of Taxation dated 1/31/24.

The following lists the violation and the proposed plan of correction:

Nevada Revised Statute 354.626 – *During fiscal year 2023, the City had expenses in excess of the budgeted appropriations for the following funds: Convention Tourism Authority Fund, Water Treatment Enterprise Fund and Public Works Internal Service Fund.*

Plan of correction (Convention Tourism Authority Fund): The expenditures in this fund exceeded the budget and the transfers out came in less than the budget. Although the net of expenditures and other financing sources was slightly less than the budget, it was still a budget violation as the expenditure budget must be compared on its own. To prevent the recurrence of the budget violation, City staff will ensure to analyze the budget by function of expenditures and other financing sources individually.

Plan of correction (Water Treatment Enterprise Fund): The Water Treatment Fund over expended its approved appropriation mainly due to the significant increase in the other postemployment benefits (OPEB) liability. Each year, the City has a consultant update the actuarial valuation of the OPEB liability. The calculation is not completed until after the fiscal year end and can vary significantly based on numerous estimating factors including inflation, salary increases, discount rates, health insurance trends and investment returns. This past audit year showed a tremendous increase in the OPEB liability based on the most recent valuation. To prevent the recurrence of the budget violation, City staff will consider the greater than anticipated approach with their estimates regarding the OPEB liability moving forward.

Plan of correction (Public Works Internal Service Fund): The Public Works Internal Service Fund over expended its approved appropriation mainly due to the significant increase in the other postemployment benefits (OPEB) liability. Each year, the City has a consultant update the actuarial valuation of the OPEB liability. The calculation is not completed until after the fiscal year end and can vary significantly based on numerous estimating factors including inflation, salary increases, discount rates, health insurance trends and investment returns. This past audit year showed a tremendous increase in the OPEB liability based on the most recent valuation. To prevent the recurrence of the budget violation, City staff will consider the greater than anticipated approach with their estimates regarding the OPEB liability moving forward.