

## STAFF REPORT

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**Date:** October 11, 2017

**To:** Mayor and City Council

**Thru:** Sabra Newby, City Manager

**Subject:** H.1. Staff Report (For Possible Action): Resolution No. \_\_\_\_\_ Resolution approving Major Fund Designations for Fiscal Year (FY) 16/17.

**From:** Jill Olsen, Interim Finance Director

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**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 gives the City 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 Railroad Debt Fund (ReTRAC), and Sanitary Sewer Enterprise Fund as “major” funds.

**Previous Council Action:** On October 12, 2016, the City Council approved, through passage of Resolution No. 8248, the following funds as “major” for Fiscal Year (FY) 2016 financial reporting purposes: the General Fund, the Streets Special Revenue Fund, the Railroad (ReTRAC) Debt Fund, and the Sanitary Sewer 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. 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 five 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
- Railroad (ReTRAC) Debt Fund
- Sanitary Sewer Enterprise Fund

The third criteria for determining a major fund is based on City 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, the City Council may want to designate a particular fund for reporting consistency purposes.

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. City 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 major funds in order to comply with the intent and spirit of the financial reporting model. Staff is recommending that the following fund that does not meet the non-discretionary test continue to be treated as major funds because (1) the fund is very close to meeting the criteria, and (2) for consistency purposes: Streets Special Revenue Fund.

**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 a contract in place with the City's audit firm, 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.

**Staff Recommendation:** Staff recommends Council adopt Resolution No. \_\_\_\_\_.

**Proposed Motion:** I move to approve the staff recommendation.

**Attachments:**

- Exhibit I Major Funds Calculation (PDF)
- Exhibit II Discretionary Funds List FY 17 (PDF)

**RESOLUTION NO.**

**RESOLUTION APPROVING MAJOR FUND DESIGNATIONS FOR FISCAL YEAR  
(FY) 16/17.**

**WHEREAS**, Governmental Accounting Standards Board Statement No. 34 established financial reporting requirements for local governments; and

**WHEREAS**, Governmental Accounting Standards Board Statement No. 34 gives the City Council the discretion to designate major governmental and enterprise funds for financial reporting purposes that otherwise would not qualify as major; and

**NOW, THEREFORE, BE IT RESOLVED BY** the City Council of the City of Reno that the following governmental and/or enterprise funds be designated as major for financial reporting purposes for the fiscal year ending June 30, 2017:

General Fund	Railroad (ReTRAC) Debt Fund
Streets Special Revenue Fund	Sanitary Sewer Enterprise Fund

Upon motion by Council Member \_\_\_\_\_, and seconded by Council Member \_\_\_\_\_, the foregoing Resolution was passed and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2017, by the following vote of the Council:

AYES: \_\_\_\_\_  
NAYS: \_\_\_\_\_  
ABSTAIN: \_\_\_\_\_ ABSENT: \_\_\_\_\_

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
HILLARY L. SCHIEVE  
MAYOR

ATTEST:

\_\_\_\_\_

ASHLEY D. TURNEY  
CITY CLERK