



December 9, 2014

Ms. Kelly Langley, Analyst  
Nevada Department of Taxation  
Local Government Budget Section  
1550 E College Parkway, Ste 115  
Carson City, NV 89706-7937

Dear Ms. Langley,

In response to our auditors' conclusion regarding the City of Sparks' compliance with Nevada Revised Statutes and Administrative Code, we offer the following plan of corrective action for those specific exceptions noted in Note 2 B & C on pages 33 & 34 of our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014.

**Note 2 (B) Excess of Expenditure Over Appropriations violations**

**Actual expenditures exceeded those budgeted for the year in the public safety function and the culture and recreation function of the General Fund by \$1,133,545 and \$28,749, respectively. While these would appear to be an apparent violation of NRS, they meet the exclusion under NRS 354.626(2)e.**

Corrective Plan:  
No corrective action needed.

**Actual operating and non-operating expenses, exceeded total appropriations of the Group Insurance Self-Insurance Internal Service Fund, the Workers' Compensation Insurance Internal Service Fund by \$632,919 and \$1,958,731, respectively. While these would appear to be an apparent violation of NRS, the over-expenditures occurred as a result of purchase of coverage and professional services directly related to a program of insurance. Such payments are specifically excluded from the over-expenditure provisions of NRS 354.626. The Municipal Self-Insurance Internal Service Fund operating and non-operating actual expenses exceeded total appropriations by \$18,810, due to an unbudgeted disposition of capital assets.**

Corrective Plan:  
The City puts forth diligent effort to assure compliance with NRS and NAC. The code requires City staff to present budget adjustments to Council prior to June 30th each year. To allow for proper period reporting, the books are not closed until the end of August. Due to this conflict between proper financial reporting and Nevada requirements for budget adjustments, there is room for error. The Municipal Self-Insurance Internal Service Fund purchased a vehicle and then transferred that vehicle into the fund and the subsequent transfer to the Motor Vehicle Maintenance Internal Service Fund. That transfer was recorded after June 30. City staff will continue to make budget reviews and adjustments as close to the statutorily mandated date as possible in order to keep the over-expenditure amounts as small as possible.

**Note 2 (C) Compliance with Nevada Revised Statutes and Administrative Code**

**The City did not take an inventory of all its equipment and other personal property which constitute capital assets during the fiscal year ended June 30, 2014, 2013, 2012, or 2011, an apparent violation of NAC 354.750**

**Corrective Plan:**

Inventories are maintained at a departmental level and reconciled to our capital asset financial system. Due to a staff reduction in the property management area, a complete City-wide inventory of capital assets has not been done. In fiscal year 2014 we were able to inventory all assets except land. During fiscal year 2015 we should have staff able to perform the inventory.

**At June 30, 2014 the Community Development Entitlement Grant Special Revenue Fund owed the General Fund \$21,674. This balance is the result of carrying out grant activity on a reimbursement basis, and therefore at June 30, 2014 expenditures had been incurred that were not yet reimbursed from the grantor and required a temporary loan from the General Fund. The specific criteria set forth in NRS 354.6118 as clarified by NAC 354.290 regarding temporary loans were not followed, an apparent violation of NRS 354.6118 as clarified by NAC 354.290 (with an effective date of December 16, 2010).**

**Corrective Plan:**

Statutory requirements stipulate that an interfund loan must be approved via a public hearing and that if a fund has a negative cash balance, then an interfund loan to cover that balance has implicitly been made. Most grant awards are reimbursement type awards, meaning we perform according to the grant guidelines and the grantor reimburses us for qualifying expenditures. The very nature of the program requires that we pay cash out before being reimbursed, which structurally presents the opportunity to result in a negative cash balance relating to grant transactions. Beginning in fiscal year 2015, we will present a staff report and a resolution to Council each year which will allow them to authorize an interfund loan as needed.

This plan was approved by Sparks Council on December 8, 2014. The City of Sparks corrective plan of action includes continuously monitoring expenditures to ensure adequate resources are available to cover current year activities, and we are confident that this plan will continue to be successful. Please contact me if there are any questions on these compliance issues.

Sincerely,

Jeff Cronk, CPA  
Financial Services Director