

**CARLIN CITY COUNCIL
CITY OF CARLIN, STATE OF NEVADA
SPECIAL MEETING
CARLIN MUNICIPAL COURT ROOM
101 SOUTH EIGHTH STREET
CARLIN, NEVADA**

**February 21, 2018
6:00 P.M.**

Call to Order and Roll Call

Vice Mayor Lincoln Litchfield called the meeting of the Carlin City Council to order at 6:00 p.m.

Council Members Present:

Vice Mayor Lincoln Litchfield
Councilperson Margaret Johnston
Councilperson Pam Griswold

Council Members Absent:

Mayor Dana Holbrook
Councilperson Sabra Esparza

Staff: David Jones, City Manager
LaDawn Lawson, City Clerk

Public:

Karla M. Jones
Mary Cain, Eide Bailly
Teri Gage, Eide Bailly

Pledge of Allegiance

- 1. Comment by the General Public: Pursuant to NRS 241.020(2)(D)(3)(I & II) this time is devoted to comments by the general public and possible discussion of those comments. No action may be taken upon a matter raised under this item until the matter has been included on a successive agenda pursuant to the required procedures at the discretion of the City in accordance with applicable law and identified as an action item. (Non-Action Item).**

There was no public comment.

2. Public Comment may be taken prior to any discussion Being Taken by the Council: Presentation by Eide Bailly and review, discussion and possible approval of the Audit for Fiscal Year 2017, prepared by Eide Bailly, and all matters related thereto. (Possible Action Item).

- a. Mary Cain stated she is with Eide Bailly and they recently performed a financial statement audit for Fiscal Year 2017 for the City of Carlin. Mary Cain stated they should have a copy of the financial statement and a letter from Eide Bailly. Mary Cain stated she would go through the financial statement and highlight a couple interesting things. Mary Cain stated on page 1 is the start of the audit report and it goes through each parties responsibilities and on page 2 the first paragraph lists the opinion they are giving on the financial statement. Mary Cain stated their opinion is that their financial statements are stated fairly in all material respects. Mary Cain stated the financial statement goes on to list the required supplemental information and their opinion on such.
- b. Mary Cain stated the one thing they will notice is the Adoption of New Accounting Standards on page 2 because there is a new accounting standard that needed to be adopted and it was. Mary Cain stated the notes on that item are on page 45 in note 15 and the new standard affected the way they look at the net pension liability. Mary Cain stated PERS must now be on your liabilities. Mary Cain stated that some of the contributions are now considered employee contributions and not contributions by the City of Carlin. Mary Cain stated the full adjustment amount was \$182,388.00.
- c. Mary Cain stated on page 12 the financial statement starts with the statement of net positions. Mary Cain stated the net position was 13 million and the largest portion of that is capital assets less the liabilities. Mary Cain stated the liabilities are the USDA water line extension, which will be paid off in 2018, and the other was the Senior Center. Vice Mayor Lincoln Litchfield asked what the interest rates were for those. Mary Cain stated the interest rate could be found starting on page 33. Vice Mayor Lincoln Litchfield stated it was 4.38%. Mary Cain stated the overall net position did increase by \$338,712.00 which came from revenue in the form of a developer reimbursement and some savings on expenditures.
- d. Mary Cain stated on page 14 the fund statements start for governmental activities. Mary Cain stated this does not include the utility fund. Mary Cain stated the governmental activities run closer to the budget statements. Mary Cain stated at the end of the year the fund balance was \$5.7 million and about \$4 million is unrestricted which can be used for anything by the City. Mary Cain stated they also have about \$5.58 million in cash. Mary Cain stated they did see a cash increase of \$564,000. Mary Cain stated this was quite a bit from the developer reimbursement and some increase in grant revenue. Mary Cain stated the City had about \$111,000 less in expenditures.
- e. Mary Cain stated on page 18 and 19 the utility fund statement starts and the net position was \$4.5 million and the bulk of it is invested in capital

assets. Mary Cain stated 2.4 million in cash was left at the end of the year. Mary Cain further stated they budget to see that the funds support themselves and they are showing a loss this year because they knew they would have extra expenditures and budgeted for it. Mary Cain stated the expenditures came in under what was budgeted for.

- f. Mary Cain stated on page 20 and 21 the cash flow statements start for the Utility Fund only.
- g. Mary Cain stated on page 22 there are tons of notes on the financial statement and there is a lot of interesting information there. Mary Cain stated on page 29 there is a note on compliance with Nevada Revised Statutes and Nevada Administrative Code. Mary Cain stated they do not check all of it but when they do notice possible noncompliance they do note it. Mary Cain stated NRS 352.626 states they are not supposed to spend more than they budgeted for and there was only one area where that happened. Mary Cain stated there are some reports that are due to the State and those reports were not filed on time but she believes David is working on it. Vice Mayor Lincoln Litchfield asked if the reports were the cities fault or someone else's. David Jones stated it was his responsibility. Vice Mayor Lincoln Litchfield asked where the excess money was spent over budget. Mary Cain stated it was Parks and the Library.
- h. Mary Cain stated on page 30 they also noted that reports must be submitted by the City within a certain timeframe and there were two reports that were not done on time.
- i. Mary Cain stated on page 55 there is supplemental information that does budget comparisons with prior years.
- j. Mary Cain stated on page 68 there are internal control deficiencies noted. Mary Cain stated the details of those findings start on page 70. Mary Cain stated the first deficiency is report preparation which is difficult to meet without having in-house expertise to do the reports properly. Mary Cain stated the in-house expertise would prevent the end of year adjustments by the auditors because they would be done throughout the year. The Council discussed the expense of hiring a governmental accountant to do such a job in-house.
- k. Mary Cain stated the second deficiency is the ambulance billing which has not been done since October 2016 and required a large adjustment. Mary Cain stated they had to increase accounts receivable by \$91,000 and then they had to increase the allowance for accounts receivable by \$149,000 for a total of \$328,000 for the year. Mary Cain stated not all of the money will be collected.
- l. Mary Cain stated on page 72 they had controls over adjusting journal entries which means finding something that is not right and correcting it. Mary Cain stated the back-up for that should be your thought process of how you determined what was going on and what adjustment needed to be made. Mary Cain stated when they tested they found 3 out of 7 that did not meet that standard. Councilperson Pam Griswold asked if there would

- be additional training for this matter for staff. David Jones stated they are always looking for training on it.
- m. Teri Gage, with Eide Bailly, stated they find this quite often. Teri Gage stated that David and LaDawn often call them to find out how to handle these things and when they come for the audit they do some training. Teri Gage stated their audit findings have decreased a lot. Teri Gage explained some formal training is available but that most training is informal.
 - n. Further discussion was held regarding the City's current accounting software.
 - o. Mary Cain stated the special events backup for revenue was nonexistent and there is no control over what revenue is being brought in and who is handling that money. Mary Cain stated the finding is that they need to back-up the information. LaDawn Lawson stated they have a couple ideas about how to implement controls for all events and they will be doing that this summer.
 - p. Vice Mayor Lincoln Litchfield asked if they are in compliance. Mary Cain stated they didn't find any material non-compliance but there are possible NRS and NAC violations but she is not a lawyer. Mary Cain stated on page 2 the biggest thing is implementation of GASB No. 77 on tax abatements but they didn't enter into any tax abatements.
 - q. Councilperson Pam Griswold asked if the money that they may pay to Khoury's will be considered tax abatement. Teri Gage stated they would need to look into it to see if it is tax abatement but it would be a material disclosure.
 - r. Mary Cain stated the next thing is significant accounting estimates for other employment benefits, net pension liability, and allowance for the ambulance billing.
 - s. Mary Cain further stated they didn't encounter any significant difficulties, they have a list of corrected and uncorrected misstatements, and there were three uncorrected items that could have been corrected but were insignificant. Mary Cain stated they had no disagreements with management and had not other significant findings.
 - t. Teri Gage stated she would like to thank the staff for their assistance and the items are housekeeping type items that are done only once a year and they are not different from a lot of their other cities. Teri Gage stated that the government auditing standards are always being updated and there are some who do not believe that auditors should prepare financial statements and the day may come when they cannot do the financial statement. Teri Gage stated they have a third party that does a cold review of the financial statement to make sure they are not too close to the situation.
 - u. Teri Gage stated on GASB No. 82 for the net pension the audit report is due by November 30th but they do have extensions. Teri Gage stated they had the draft into David but then they found out PERS changed and they had to readjust the statements in January but they have an audit extension letter through the end of the month.
 - v. Teri Gage stated the Nevada Committee on Local Government Finance

- provides direction to local governments and they put together great reports that compare entities with others. Teri Gage stated compared to others Carlin's ending fund balance is healthy.
- w. Teri Gage stated she would like to bring up cyber security and that she knows POOL/PACT has something available. Teri Gage encouraged they look into that area.
 - x. Vice Mayor Lincoln Litchfield asked if in their opinion they would spend the excess money or how much they think they should keep in reserves. Teri Gage stated there is no magic number but one month worth of operating expenses is not safe. Teri Gage stated she thinks they should talk to Department Heads about looking forward into the future and plan for projects and then see what they have left over.
 - y. Councilperson Pam Griswold asked if they could use that money for salaries or only for projects. Teri Gage said it is unassigned and they could use it for what they want. Teri Gage stated she wants to caution them and they should not spend it all.
 - z. Teri Gage stated they should also look at their utility rates every year because it is better to do a little at a time then all at once.

Councilperson Pam Griswold made a motion to approve the presentation by Eide Bailly for the Audit for Fiscal Year 2017, prepared by Eide Bailly, and all related matters thereto. Councilperson Margaret Johnston seconded the motion. Vice Mayor Lincoln Litchfield voted yes. The motion passed.

- 3. Public Comment may be taken prior to any Discussion Being Taken by the Council: Comment by the General Public: Pursuant to NRS 241.020(2)(D)(3)(I & II) this time is devoted to comments by the general public and possible discussion of those comments. No action may be taken upon a matter raised under this item until the matter has been included on a successive agenda pursuant to the required procedures at the discretion of the City in accordance with applicable law and identified as an action item. (Non - Action Item).**

There were no comments by the General Public.

4. Adjournment. (Possible Action Item)

Councilperson Margaret Johnston moved to adjourn. Councilperson Pam Griswold seconded the motion. The motion passed. The meeting was adjourned at 7:01 p.m.

Approved:

Attest:

Mayor/Vice Mayor

City Clerk LaDawn Lawson

