



TRUCKEE MEADOWS FIRE PROTECTION DISTRICT STAFF REPORT

Board Meeting Date: December 10, 2024

DATE: November 27, 2024

TO: Truckee Meadows Fire Protection District Board of Fire Commissioners

FROM: Cindy Vance, Chief Fiscal Officer
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THROUGH: Charles A. Moore, Fire Chief
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SUBJECT: Recommendation to accept Truckee Meadows Fire Protection District's Audited Financial Statements for the fiscal year ended June 30, 2024, as presented; approve the re-appropriation of \$204,191 in the Capital Projects Fund and \$87,094 in the EMS Fund for purchase order encumbrances committed in fiscal year 2023-2024 and authorize the District to proceed with distribution of the financial statements for public record, as required by law. (All Commission Districts). FOR POSSIBLE ACTION

SUMMARY

Recommendation to accept Truckee Meadows Fire Protection District's (TMFPD) Audited Financial Statements for the fiscal year ended June 30, 2024, as presented; approve the re-appropriation of \$204,191 in the Capital Projects Fund and \$87,094 in the EMS Fund for purchase order encumbrances committed in fiscal year 2023-2024 (FY23/24) and authorize the District to proceed with distribution of the financial statements for public record, as required by law.

Please find attached the TMFPD's financial statements for the fiscal year ended June 30, 2024 which were audited by Eide Bailly LLP. The auditor's opinion of the financial statements is an "unqualified" opinion, which means the financial statements present fairly, in all material respects, the respective financial position of the District's governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024.

The auditors have included two findings in the schedule of findings and responses. The audit included a material weakness related to services billed in error related to the year ended June 30, 2023. The District detected these errors and brought them to the attention of the auditors. However, since they were not detected in the prior year, these are reported as a finding. The District had significant turnover during the time these invoices were issued, the District has since changed review procedures. In addition, the audit included a significant deficiency related to GASB 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The District has

a very small staff responsible for the implementation of new accounting standards. Although GASB No. 96 *SBITA* was implemented during the prior fiscal year, this was the first new issuance of a *SBITA* agreement under the new standard. The District recorded the debt and asset within the Government-Wide statements, but as stated above, did not record the transaction accurately in accordance with the standard in the General Fund. In the future, the District will consult with outside agencies or firms for additional review of new agreements under new standards.

It is recommended the TMFPD Board of Fire Commissioners accept the District's Audited Financial Statements for FY23/24.

PREVIOUS ACTION

None

BACKGROUND

NRS 354.624 requires the District to issue an annual report on its financial position and operations for the fiscal year. The Financial Report must be audited in accordance with generally accepted auditing standards in the United States, including findings on compliance with statutes and regulations, and an expression of opinion on the financial statements. The audit must be conducted by a certified public accountant.

The auditor's reports, opinions, and findings contained in the Financial Report must be presented at a meeting of the Board of Fire Commissioners held not more than 30 days after the report is dated and filed as public record with the County Clerk and the Department of Taxation.

The highlights of the TMFPD's Audited Financial Statements for the fiscal year ended June 30, 2024 are as follows:

General Fund

The TMFPD's finances are stable in the short term and long term. The General Fund's (Budgetary Basis pages 45-46 of the report) fund balance as of June 30, 2024, was \$9,348,338, a decrease of \$2,943,681, or 23.95% from the prior year. The total fund balance of \$9,348,338 equates to 22.0% or approximately 2.6 months' worth of expenditures (excluding transfers out to fund Capital Projects and Sick and Annual Comp Benefits costs) compared to the prior year's ending fund balance of \$12,292,019, which equated to 32.2%, or approximately 3.9 months' worth of expenditures. Much of the decrease in fund balance is due to delayed collections for charges for services and reimbursements.

It is important to note that the General Fund is also the sole revenue source, via transfers out, for other funds including the Capital Projects Fund, Debt Service Fund, and the Sick Annual Comp Benefits Fund. These three funds have negligible or no revenues and are funded through an excess of revenues over expenditures in the General Fund. In addition, the new Emergency Medical Services Fund is in the growth stages and required some funding from the General Fund to support FY23/24 activities. During FY23/24, the District transferred \$5,117,141 from the General Fund to these four funds.

Emergency Fund

The Wildland Fire Emergency Fund (page 47) was established to fund the District's emergency and wildland fire liability. NRS 474 allows fire districts to set aside up to \$1.5 million in deposits per year for emergency operations, primarily wildland fire operations. As of June 30, 2024, the fund balance was \$917,898. This fund includes \$1,347,934 in receivables as of June 30, 2024 and \$179,634 in cash and investments available to cover costs of wildfire and other emergencies until reimbursements are received.

Capital Projects Fund

The TMFPD Capital Projects Fund (page 62) is used to fund the purchase of equipment, building improvements, and construction projects for the District. The fund's major revenues and financing sources include transfers from the General Fund of \$3,610,000, and revenues of \$617,015, of this amount, \$383,312 was reimbursement mostly from the 911 Emergency Response Advisory Committee for costs associated with a fire station alerting system and Apple, Inc for costs associated with the construction of a fire station. An additional \$128,949 was related to investment earnings and \$104,754 was related to charges for services for use of equipment in projections for other agencies. As of June 30, 2024, the Capital Projects Fund Balance was \$3,454,905 and will be utilized for capital purchases in fiscal year 2024-2025 (FY24/25).

Total expenditures for FY23/24 were \$2,038,968, which included, among other things, the construction planning for two new fire stations, the remodel of two current fire stations, the development of a new fire station alerting system, and the purchase of radios for a District refresh.

Emergency Medical Services (EMS) Proprietary Fund

TMFPD created the EMS proprietary fund as of July 1, 2022 (pages 18-20 & 64-65). This is the District's only business-type fund. This fund was created to match the cost of providing emergency medical services to the revenues generated by this activity. This fund also includes the overhead costs of the EMS division previously included in the General Fund. The EMS Fund is a full-accrual accounting fund, which means that it will include all liabilities, including compensated absences and all receivables, even if collectability is more than 60 days after year end.

Operating revenues in the EMS fund were \$6,509,329 for FY23/24, which consisted of \$1,221,708 in patient-direct charges for ambulance services, and \$4,930,429 from the Ground Emergency Medical Transportation program. Operating expenses in the EMS fund were \$5,571,604, which includes salaries and benefits for the EMS overhead division and the salaries and benefits for the staff scheduled or backfilled on the ambulances, plus operating supplies and depreciation.

Ending net position of the EMS fund as of June 30, 2024, was \$3,099,090, of which \$1,162,540 or 37.5% is the investment of capital assets. This amount is non-spendable and is the net value of capital assets used in the EMS function.

Workers' Compensation Fund

In fiscal year 2004, the District established the Workers' Compensation Internal Service Fund (pages 18-20 and 66-67) to account for the District's liability for workers' compensation claims. Per the Reno/TMFPD Interlocal Agreement, TMFPD shall pay a pro-rata share of the Reno Fire Department workers' compensation claims based upon the number of positions attributable to the TMFPD vs. the total Reno Fire Department staff. With the termination of the TMFPD/Reno Interlocal Agreement, TMFPD bought out all claims presented prior to July 1, 2012. The District remains liable for heart and lung claims presented after July 1, 2012. The fund had an ending net position of \$1,423,950, and recognized a decrease in net position of \$139,338, which represents the change in claims estimates offset by investment earnings. The change in estimate is based off management's assumptions and third-party actuarial report obtained from the City of Reno. The net position of the fund is expected to be adequate to pay for current and future claims for FY24/25.

Other Funds

As of June 30, 2023, the District's Stabilization Fund (page 61) had a fund balance of \$654,405 which is consistent with prior years. The fund is available to be utilized for decreases in revenues and for emergencies.

As of June 30, 2024, the Sick and Annual Comp Benefits Fund (page 60) had a fund balance of \$125,949, which is a decrease of \$138,875 from the prior year. The fund balance of \$125,949 represents 1.4% of the \$9,127,366 governmental activities compensated absences balance liability as of June 30, 2024 (page 31), as compared to the Fiscal year 2022-2023 fund balance of \$264,824, which represented 3.1% of the \$8,410,599 governmental activities compensated absences balance liability as of June 30, 2023. This fund was established to be used for significant termination payouts related to sick and compensated time benefits. The fiscal year 2019 changes to collective bargaining agreements significantly increased the value of compensated balance payouts upon retirement. Therefore, this fund has seen a rapid decline in fund balance compared to compensated absence liability during the past three fiscal years.

The Debt Service Fund (page 63) is used to account for annual debt payments. The District transferred \$1,007,141 to the fund from the General Fund and the Capital Projects fund. This transfer was used to pay \$761,000 in principal and \$246,141 in interest payments during FY23/24.

Long-Term Debt

The District has three outstanding general obligation bonds (pages 30-31). The District did not issue any new debt during FY23/24. The District has \$10,713,000 in total bonds outstanding as of June 30, 2024. Annual principal and interest payments are approximately \$1,000,000 per year for all three outstanding issues.

Conclusion

The TMFPD is financially sound as of June 30, 2024.

FISCAL IMPACT

None.

RECOMMENDATION

Staff Recommends the Board accept TMFPD's Audited Financial Statements for the fiscal year ended June 30, 2024, as presented; approve the re-appropriation \$204,191 in the Capital Projects Fund and \$87,094 in the EMS Fund for purchase order encumbrances committed in fiscal year 2023-2024 and authorize the District to proceed with distribution of the financial statements for public record, as required by law.

POSSIBLE MOTION

Should the Board agree with the staff's recommendation, a possible motion would be:

"I move to accept Truckee Meadows Fire Protection District's Audited Financial Statements for the fiscal year ended June 30, 2024, as presented; approve the re-appropriation \$204,191 in the Capital Projects Fund and \$87,094 in the EMS Fund for purchase order encumbrances committed in fiscal year 2023-2024 and authorize the District to proceed with distribution of the financial statements for public record, as required by law."