

**AGENDA**  
**CITY OF FALLON – CITY COUNCIL**  
**55 West Williams Avenue**  
**Fallon, Nevada**  
**March 4, 2019 – 9:00 a.m.**

The Honorable City Council will meet in a regularly scheduled meeting on March 4, 2019 at 9:00 a.m. in the City Council Chambers, 55 West Williams Avenue, Fallon, Nevada.

Items on the agenda may be taken out of order. The Council may combine two or more agenda items for consideration. The Council may remove an item from the agenda or delay discussion relating to an item on the agenda at any time. Unless otherwise allowed by the City Council, public comments by an individual will be limited to five minutes.

1. Pledge of Allegiance to the Flag.
2. Certification of Compliance with Posting Requirements.
3. Public Comments: General in nature, not relative to any agenda items.  
No action may be taken on a matter raised under this item until the matter has been specifically included on an agenda as an item upon which action will be taken. **(For discussion only)**
4. Consideration and approval of Council meeting minutes for February 19, 2019. **(For possible action)**
5. Approval of Warrants: **(For possible action)**
  - A) Accounts Payable
  - B) Payroll
  - C) Customer Deposit
6. Public Hearing: Adoption of Resolution No. 19-01: A resolution authorizing the augmentation of the 2018-2019 General Fund of the City of Fallon in the amount of \$232,123. **(For possible action)**
7. Appointment of Eide Bailly as auditors for the City of Fallon for the fiscal year ending June 30, 2019. **(For possible action)**
8. Public Comments **(For discussion only)**
9. Council and Staff Reports **(For discussion only)**
10. Executive Session (closed):

Discuss Litigation Matters **(For discussion only)** (NRS 241 et.seq.)  
Negotiations with Operating Engineers Local Union No. 3 **(For discussion only)**  
Negotiations with Fallon Peace Officers Association **(For discussion only)**

This agenda has been posted on or before 9:00 a.m. on February 27, 2019 at City Hall, District Court Building, Churchill County Office Complex, Churchill County Public Library and posted to the City's website (<https://fallonnevada.gov>) and the State of Nevada public notice website (<https://notice.nv.gov/>). Members of the public may request the supporting material for this meeting by contacting Elsie M. Lee, Deputy City Clerk, City Clerk's Office, City Hall, 55 West Williams Avenue, Fallon, Nevada, (775) 423-5104. The supporting material for this meeting is also available to the public on the City's website (<https://fallonnevada.gov>) and the State of Nevada public notice website (<https://notice.nv.gov/>).

  
Elsie M. Lee

NOTICE TO PERSONS WITH DISABILITIES: Reasonable effort will be made to assist and accommodate physically handicapped persons desiring to attend the meeting. Please call the City Clerk's Office at 423-5104 in advance so that arrangements may be conveniently made.



March 4, 2019

## Agenda Item 4

Consideration and approval of Council meeting minutes for February 19, 2019.  
**(For possible action)**

**MINUTES  
CITY OF FALLON  
55 West Williams Avenue  
Fallon, Nevada  
February 19, 2019**

The Honorable City Council met in a regularly scheduled Council meeting on the above date in the Council Chambers, 55 West Williams Avenue, Fallon, Nevada.

**Present:**

Mayor Ken Tedford  
City Councilman, Robert H. Erickson  
City Councilman, James D. Richardson  
City Councilwoman, Kelly Frost  
City Clerk, Gary C. Cordes  
Deputy Public Works Director, Ryan A. Swirczek  
Deputy Public Works Director, Adrian Noriega  
Police Chief, Kevin Gehman  
Deputy City Attorney, Leonard E. Mackendon  
Deputy City Clerk, Elsie M. Lee  
Director of Tourism & Special Events, Jane Moon  
Public Works Director, Brian A. Byrd  
Marketing & Communications Coordinator, Kaitlin Ritchie  
Deputy City Attorney, Trent deBraga

The meeting was called to order by Mayor Tedford at 9:00 a.m.

Mayor Tedford led the Pledge of Allegiance.

Mayor Tedford inquired if the agenda had been posted in compliance with NRS requirements.

City Clerk Cordes advised that the agenda was posted in compliance with NRS 241.

**Public Comments**

Mayor Tedford inquired if there were any public comments. He noted that comments are to be general in nature, not relative to any agenda items. No action may be taken on a matter raised under this item until the matter has been specifically included on an agenda as an item upon which action will be taken.

No public comments were noted.

**Approval of Council meeting minutes for November 19, 2018, December 3, 2018, January 7, 2019, and February 4, 2019**

Mayor Tedford inquired if there were any additions or corrections to the minutes for November 19, 2018, December 3, 2018, January 7, 2019, and February 4, 2019.

No additions or corrections were noted.

Councilman Erickson motioned to approve the Council meeting minutes for November 19, 2018, December 3, 2018, January 7, 2019, and February 4, 2019 as submitted, seconded by Councilman Richardson and approved with a 3-0 vote by the Council.

**Approval of Warrants**

- A) Accounts Payable
- B) Payroll
- C) Customer Deposit

Mayor Tedford inquired if there were any comments regarding the accounts payable, payroll and customer deposit warrants.

No comments were noted.

Councilwoman Frost motioned to approve the accounts payable, payroll and customer deposit warrants and authorize the Mayor to sign the same; seconded by Councilman Erickson and approved with a 3-0 vote by the Council.

**Recognition of 3A Nevada State Wrestling Champions Ben Dooley, Sean McCormick and Tommy McCormick**

Mayor Tedford recognized three wrestlers that recently took Nevada State Championship titles:

Senior Sean McCormick – He wrestled in the 170 lb. division this year and took his 4<sup>th</sup> Nevada State Championship title, which is a first in Greenwave history.

Senior Ben Dooley – He wrestled in the 285 lb. division this year and earned his 2<sup>nd</sup> Nevada State Championship title.

Junior Tommy McCormick – He wrestled in the 152 lb. division this year and earned his 2<sup>nd</sup> Nevada State Championship title.

The wrestlers also earned 4<sup>th</sup> place overall for their team.

Mayor Tedford also recognized the coaches: Trevor deBraga, Dan Shaw, Darren Lewis, Trent deBraga, and Frank deBraga. He thanked the parents for their efforts and unwavering support of their athletes through the years. Plaques and personalized mugs were presented to the wrestlers and coaches as photographs were taken.

**Public Comments**

Mayor Tedford inquired if there were any public comments.

No public comments were noted.

### **Council and Staff Reports**

Mayor Tedford inquired if there were any Council or staff reports.  
No Council or staff reports were noted.

### **Executive Session**

Mayor Tedford tabled the executive session, as it was not needed at this time.

### **Adjournment**

There being no further business to come before the Council, Mayor Tedford adjourned the meeting at 9:17 a.m.

\_\_\_\_\_  
Mayor Ken Tedford

Attest: \_\_\_\_\_  
Gary C. Cordes, City Clerk/Treasurer



March 4, 2019

Agenda Item 6

Public Hearing: Adoption of Resolution No. 19-01: A resolution authorizing the augmentation of the 2018-2019 General Fund of the City of Fallon in the amount of \$232,123. **(For possible action)**



**CITY OF FALLON  
REQUEST FOR COUNCIL ACTION**

Agenda Item No. 6

**Date Submitted:** February 15, 2019

**From:** City Clerk Treasurer Cordes

**Agenda Date Requested:** March 4, 2019

**To:** The Honorable City Council

**Subject Title:** Public Hearing: Adoption of Resolution No. 19-01: A resolution authorizing the augmentation of the 2018-2019 General Fund of the City of Fallon in the amount of \$232,123.

**Type of Action Requested:** (Check One)

<input checked="" type="checkbox"/> Resolution	<input type="checkbox"/> Ordinance
<input type="checkbox"/> Formal Action/Motion	<input type="checkbox"/> Other

**Recommended Council Action:** Motion to adopt Resolution 19-01: A resolution authorizing the augmentation of the 2018-2019 General Fund of the City of Fallon in the amount of \$232,123.

**Discussion:** The purpose of this resolution is to properly budget the resources and expenditures of the General Fund Budget. The attached schedule presents the final approved budget that was adopted by the City Council in the column titled Final Budget. The column titled revisions reflect change in financial estimates that were not anticipated when the budget was adopted by the Fallon City Council. Pursuant to NRS this resolution will allow us to properly reflect the changes in financial estimates.

**FISCAL IMPACT:** None

**FUNDING SOURCE:** None

**PREPARED AND PRESENTED BY:** City Clerk & Treasurer Gary C Cordes





Resolution No. 19-01

**RESOLUTION TO AUGMENT THE 2018-2019 BUDGET OF CITY OF FALLON**

WHEREAS, total resources of the General Fund City of Fallon were budgeted to be \$10,257,330 on July 1, 2018; and

WHEREAS, the total resources are now determined to be \$10,489,453 an increase of \$232,123; and

WHEREAS, said additional resources are as follows:

One Cent Option Tax Fuel	\$ 1,800.00
Business License	\$ 10,000.00
City gaming License	\$ 1,000.00
Natural gas franchise fee	\$ 14,000.00
Cable tv franchise fee	\$ 500.00
Building Permits	\$ 13,572.00
Emergency Management Assistance Grant	\$ 8,100.00
Motor Vehicle Priv Tax 1.75	\$ 2,600.00
MJ local distribution	\$ 1,800.00
Consolidated Tax Distribution	\$ 28,142.00
Potion of County Gaming Tax	\$ 9,500.00
Building and Zoning Fees	\$ 6,000.00
Overhead and admin- City Clerk Wage & Benefits	\$ 8,576.00
Overhead and admin- City Hall Trailer	\$ 25,407.00
Overhead and admin- City Attorney Wage & Benefits	\$ 67,515.00
Overhead and admin- Bare Land near City Hall	\$ 33,611.00
Total Resources	<u><u>\$ 232,123.00</u></u>

WHEREAS, there is a need to apply these excess proceeds in the General Fund.

Now, Therefore, It is hereby RESOLVED, that City of Fallon shall augment its 2018-2019 budget by appropriating for use \$232,123 for use in the General Fund, thereby increasing its appropriation from \$10,257,330 to \$10,489,453. A detailed reference is attached to this resolution and by reference is made a part thereof.

IT IS FURTHER RESOLVED, that the City Clerk Treasurer shall forward the necessary documents to the Department of Taxation, State of Nevada.

PASSED, ADOPTED AND APPROVED THIS \_\_\_\_\_ DAY OF MARCH, 2019.

AYES:

NAYS:

ABSENT:

\_\_\_\_\_  
Ken Tedford Mayor

Attest: \_\_\_\_\_  
Gary Cordes City Clerk Treasurer

**City of Fallon**  
**General Fund**

**Budget Augmentation 19-01**

**Source of Augmentation**

One Cent Option Tax Fuel	\$ 1,800.00	10-36-170
Business License	\$ 10,000.00	10-32-100
City gaming License	\$ 1,000.00	10-32-300
Natural gas franchise fee	\$ 14,000.00	10-31-300
Cable tv franchise fee	\$ 500.00	10-31-400
Building Permits	\$ 13,572.00	10-32-700
Emergency Management Assistance Grant	\$ 8,100.00	10-36-630
Motor Vehicle Priv Tax 1.75	\$ 2,600.00	10-36-150
MJ local distribution	\$ 1,800.00	10-36-401
Consolidated Tax Distribution	\$ 28,142.00	10-36-720
Potion of County Gaming Tax	\$ 9,500.00	10-36-500
Building and Zoning Fees	\$ 6,000.00	10-37-520
Overhead and admin- City Clerk Wage & Benefits	\$ 8,576.00	10-37-410
Overhead and admin- City Hall Trailer	\$ 25,407.00	10-37-410
Overhead and admin- City Attorney Wage & Benefits	\$ 67,515.00	10-37-410
Overhead and admin- Bare Land near City Hall	\$ 33,611.00	10-37-410
	<u>\$ 232,123.00</u>	

**Uses of Augmentation**

City Clerk Wage	\$ 8,300.00	10-45-111
City Clerk Employee Benefits	\$ 2,420.00	10-45-220
City Hall Capital Outlay	\$ 84,311.00	10-47-380
City Attorney Wage	\$ 63,942.00	10-51-111
City Attorney Employee Benefit	\$ 17,904.00	10-51-220
City Attorney Employee Benefit	\$ 927.00	10-51-221
City Attorney Employee Benefit	\$ 500.00	10-51-222
City Attorney Employee Benefit	\$ 13,177.00	10-51-224
Transfers Out to Airport Fund	\$ 40,642.00	10-95-998
	<u>\$ 232,123.00</u>	



City of Fallon General Fund Budget Augmentation Resolution No. 19-01	(One )	(Two)	(Three)
Taxes:	Final Budget	Resolution No. 19-01 Augment Revisions	Augmented Final Budget
Ad Valorem	\$1,449,839	\$0	\$1,449,839
One Cent Option	\$32,000	\$1,800	\$33,800
Regional Street and Highway	\$95,000	\$0	\$95,000
Enterprise Fund: In lieu of Property Tax	\$1,051,149	\$0	\$1,051,149
<b>Total Taxes</b>	<b>\$2,627,988</b>	<b>\$1,800</b>	<b>\$2,629,788</b>
Licenses and Permits:			
<b>Business License and Permits:</b>			
Business License	\$267,000	\$10,000	\$277,000
Local Liquor License	\$29,000	\$0	\$29,000
City Gaming License	\$43,000	\$1,000	\$44,000
Franchise Taxes:			
Enterprise Fund: In lieu of franchise tax	\$968,305	\$0	\$968,305
Natural Gas	\$140,000	\$14,000	\$154,000
Cable Televisoin	\$92,000	\$500	\$92,500
<b>Subtotal</b>	<b>\$1,539,305</b>	<b>\$25,500</b>	<b>\$1,564,805</b>
Nonbusiness Licenses and Permits			
Building Permits	\$95,000	\$13,572	\$108,572
Electric Permits	\$3,000	\$0	\$3,000
Misc Permits	\$1,500	\$0	\$1,500
Plumbing Permits	\$5,250	\$0	\$5,250
<b>Subtotal</b>	<b>\$104,750</b>	<b>\$13,572</b>	<b>\$118,322</b>
<b>Total License and Permits</b>	<b>\$1,644,055</b>	<b>\$39,072</b>	<b>\$1,683,127</b>
<b>Intergovernmental Revenues:</b>			
UWS - Police Grant	\$0	\$0	\$0
Narcotics Task Force	\$0	\$0	\$0
Emergency Management Assistance	\$20,000	\$8,100	\$28,100
CDBG Grant	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$20,000</b>	<b>\$8,100</b>	<b>\$28,100</b>
<b>State Shared Revenues</b>			
Motor Tax 1.75	\$39,000	\$2,600	\$41,600
Motor Tax 3.6	\$80,000	\$0	\$80,000
State Gaming	\$131,235	\$0	\$131,235
CTX	\$1,785,083	\$28,142	\$1,813,225
AB104 Fair Share	\$270,000	\$0	\$270,000
HWY 95 Grant	\$150,000	\$0	\$150,000
Marijuana local distribution	\$10,000	\$1,800	\$11,800
<b>Sub Total</b>	<b>\$2,465,318</b>	<b>\$32,542</b>	<b>\$2,497,860</b>
<b>Other local government share revenue</b>			
County Gaming Tax	\$96,000	\$9,500	\$105,500
<b>Other Local Government Grants</b>			
Grant from Churchill County	\$43,765	\$0	\$43,765
<b>Total Intergovernmental Resources</b>	<b>\$2,625,083</b>	<b>\$50,142</b>	<b>\$2,675,225</b>

**Charges for Services****General Government**

Building and Zoning Fees	\$17,500	\$6,000	\$23,500
Enterprise Fund Admin Support	\$1,787,505	\$135,109	\$1,922,614
Land Rent	\$24,000	\$0	\$24,000
Other Assessments	\$0	\$0	\$0
Subtotal	<u>\$1,829,005</u>	<u>\$141,109</u>	<u>\$1,970,114</u>

**Public Safety:**

Remb for fire dept expenses	<u>\$250,000</u>	<u>\$0</u>	<u>\$250,000</u>
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**Judicial**

Reimb for juvenile court master	<u>\$21,000</u>	<u>\$0</u>	<u>\$21,000</u>
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**Culture and Recreation**

Swimming Pool Concession	\$20,000	\$0	\$20,000
Swimming Pool Fees	\$30,000	\$0	\$30,000
Gym Use Fees	\$9,000	\$0	\$9,000

Subtotal	<u>\$59,000</u>	<u>\$0</u>	<u>\$59,000</u>
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<b>Total Charges for Services</b>	<u>\$2,159,005</u>	<u>\$141,109</u>	<u>\$2,300,114</u>
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<b>Fines and Forfeits</b>	<u>\$125,000</u>	<u>\$0</u>	<u>\$125,000</u>
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**Miscellaneous:**

Miscellaneous	<u>\$65,500</u>	<u>\$0</u>	<u>\$65,500</u>
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Total Miscellaneous	<u>\$65,500</u>	<u>\$0</u>	<u>\$65,500</u>
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Total Revenues	<u>\$9,246,631</u>	<u>\$232,123</u>	<u>\$9,478,754</u>
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<b>Total Beginning Fund Balance</b>	<u>\$981,199</u>	<u>\$0</u>	<u>\$981,199</u>
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**Other Financing Sources:**

Operating Transfers In : Secured Freight	<u>\$29,500</u>	<u>\$0</u>	<u>\$29,500</u>
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<b>Total Resources</b>	<u>\$10,257,330</u>	<u>\$232,123</u>	<u>\$10,489,453</u>
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	(One )	(Two)	(Three)
City of Fallon General Fund Budget Augmentation Resolution No. 19-01	Final Budget	Resolution No. 19-01 Augment Revisions	Augmented Final Budget
Expenses			
<b>General Government</b>			
<b>Mayor &amp; Legal &amp; Administrative Director</b>			
Salary and Wage	\$73,171	\$0	\$73,171
Employee Benefits	\$36,752	\$0	\$36,752
Service and Supplies	\$3,500	\$0	\$3,500
Capital Outlay	\$0	\$0	\$0
Total Mayor Department	<u>\$113,423</u>	<u>\$0</u>	<u>\$113,423</u>
<b>City Council</b>			
Salary and Wage	\$67,231	\$0	\$67,231
Employee Benefits	\$48,780	\$0	\$48,780
Service and Supplies	\$1,500	\$0	\$1,500
Capital Outlay	\$0	\$0	\$0
Total City Council	<u>\$117,511</u>	<u>\$0</u>	<u>\$117,511</u>
<b>City Clerk</b>			
Salary and Wage	\$587,342	\$8,300	\$595,642
Employee Benefits	\$300,740	\$2,420	\$303,160
Service and Supplies	\$125,700	\$0	\$125,700
Capital Outlay	\$0	\$0	\$0
Total City Clerk	<u>\$1,013,782</u>	<u>\$10,720</u>	<u>\$1,024,502</u>
<b>City Hall</b>			
Service and Supplies	\$95,515	\$0	\$95,515
Capital Outlay	\$200,000	\$84,311	\$284,311
Total City Hall	<u>\$295,515</u>	<u>\$84,311</u>	<u>\$379,826</u>
<b>General Expenditures</b>			
Service and Supplies	\$589,050	\$0	\$589,050
Capital Outlay	\$0	\$0	\$0
Total General Expenditures	<u>\$589,050</u>	<u>\$0</u>	<u>\$589,050</u>
<b>Total Governmental</b>	<u>\$2,129,281</u>	<u>\$95,031</u>	<u>\$2,224,312</u>
<b>Judicial Function</b>			
<b>City Attorney</b>			
Salary and Wage	\$231,048	\$63,942	\$294,990
Employee Benefits	\$95,495	\$32,508	\$128,003
Service and Supplies	\$126,000	\$0	\$126,000
Total	<u>\$452,543</u>	<u>\$96,450</u>	<u>\$548,993</u>
<b>Municipal Court</b>			
Salary and Wage	\$226,164	\$0	\$226,164
Employee Benefits	\$101,364	\$0	\$101,364
Service and Supplies	\$22,032	\$0	\$22,032
Capital Outlay	\$75,000	\$0	\$75,000
Total	<u>\$424,560</u>	<u>\$0</u>	<u>\$424,560</u>
<b>Total Judicial Function</b>	<u>\$877,103</u>	<u>\$96,450</u>	<u>\$973,553</u>



**Street Budget**

Service and Supplies	\$95,000	\$0	\$95,000
Capital Outlay	\$0	\$0	\$0
<b>Total</b>	<b>\$95,000</b>	<b>\$0</b>	<b>\$95,000</b>

**Parks**

Salary and Wage	\$433,625	\$0	\$433,625
Employee Benefits	\$146,454	\$0	\$146,454
Service and Supplies	\$452,958	\$0	\$452,958
Capital Outlay:	\$0	\$0	\$0

<b>Total</b>	<b>\$1,033,037</b>	<b>\$0</b>	<b>\$1,033,037</b>
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**Police Department**

Salary and Wage	\$2,557,169	\$0	\$2,557,169
Employee Benefits	\$1,353,491	\$0	\$1,353,491
Service and Supplies	\$400,658	\$0	\$400,658
Capital Outlay:	\$94,173	\$0	\$94,173

<b>Total</b>	<b>\$4,405,491</b>	<b>\$0</b>	<b>\$4,405,491</b>
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**Fire Department**

Salary and Wage	\$312,184	\$0	\$312,184
Employee Benefits	\$308,818	\$0	\$308,818
Service and Supplies	\$200,000	\$0	\$200,000
Capital Outlay	\$0	\$0	\$0

<b>Total</b>	<b>\$821,002</b>	<b>\$0</b>	<b>\$821,002</b>
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**Civil Defense**

Salary and Wage	\$45,329	\$0	\$45,329
Employee Benefits	\$3,627	\$0	\$3,627
Service and Supplies	\$3,395	\$0	\$3,395
Capital Outlay	\$0	\$0	\$0

<b>Total</b>	<b>\$52,351</b>	<b>\$0</b>	<b>\$52,351</b>
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**Task Force**

Service and Supplies	\$15,000	\$0	\$15,000
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<b>Total Public Safety</b>	<b>\$5,293,844</b>	<b>\$0</b>	<b>\$5,293,844</b>
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Operating Transfers - Debt Service	\$62,488	\$0	\$62,488
Operating Transfers - Airport Fund	\$25,000	\$40,642	\$65,642
Unemployment Fund	\$5,000	\$0	\$5,000
<b>Total Transfers</b>	<b>\$92,488</b>	<b>\$40,642</b>	<b>\$133,130</b>

General Government	\$2,129,281	\$95,031	\$2,224,312
Judicial	\$877,103	\$96,450	\$973,553
Street	\$95,000	\$0	\$95,000
Park	\$1,033,037	\$0	\$1,033,037
Public Safety	\$5,293,844	\$0	\$5,293,844
Operating Transfers Out	\$92,488	\$40,642	\$133,130

<b>Total Expenses</b>	<b>\$9,520,753</b>	<b>\$232,123</b>	<b>\$9,752,876</b>
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Ending Fund Balance	\$736,577	\$0	\$736,577
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<b>Total</b>	<b>\$10,257,330</b>	<b>\$232,123</b>	<b>\$10,489,453</b>
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CITY OF FALLON,  
NEVADA  
NOTICE OF INTENTION  
TO ACT ON A  
RESOLUTION TO  
AUGMENT BUDGET

Notice is hereby given that the City Council of the City of Fallon, State of Nevada, will act on a resolution to augment the fiscal year 2018-2019 budget of the General Fund in the amount of \$232,123 in order to appropriate previously un-budgeted resources at a meeting to be held March 4, 2019 at the City Council Chambers, City Hall, 55 West Williams Avenue, Fallon, Nevada 89406 at 9:00 a.m. at which time all persons may attend and be heard. Prior to the meeting written comments may be filed with the City Clerk's Office to be considered by the City Council.

Gary C Cordes  
City Clerk & Treasurer  
City of Fallon

**Pub: February 27, 2019**  
**Ad#0000383173**

March 4, 2019

Agenda Item 7

Appointment of Eide Bailly as auditors for the City of Fallon for the fiscal year ending June 30, 2019.  
**(For possible action)**



**Request for Council Action**

Agenda item 7

**Date Submitted:** February 19, 2019 **From:** City Clerk Treasurer Cordes

**Agenda Date Requested:** March 4, 2019

**To:** The Honorable City Council

**Subject Title** Appointment of Eide Bailly as auditors for the City of Fallon for the fiscal year ending June 30, 2019

**Recommended Council Action:** Appoint Eide Bailly as auditors for the City of Fallon for the fiscal year ending June 30, 2019

**Discussion:** Pursuant to NRS 354.624 each local government in the State of Nevada shall provide for an annual audit of its financial statements. The audit committee consists of Councilman Robert Erickson, City Attorney Mike Mackedon and Legal and Administrative Director Robert Erquiaga. The audit committee works with the auditor regarding the timing, progression and the recommendations and findings of the auditor. The audit committee recommends the appointment of Eide Bailly as auditors for the City of Fallon for the fiscal year ending June 30, 2019

**Fiscal Impact:** \$79,500

**Funding Source:** General Fund

**Alternatives:** NA

**Prepared By:** Gary Cordes, Clerk Treasurer  
**Presented By:** Audit Committee Members Councilman Erickson, City Attorney Mike Mackedon and Legal and Administrative Director Robert Erquiaga



February 18, 2019

City of Fallon Audit Committee  
City of Fallon, Nevada  
55 West Williams Avenue  
Fallon, NV 89406

The following represents our understanding of the services we will provide to the City of Fallon, Nevada (the City).

You have requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fallon, as of June 30, 2019, and for the year then ended, and the related notes, which collectively comprise the City's basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Schedules of Changes in the City's Total OPEB Liability and Related Ratios
- Schedule of City's Proportionate Share of the Net Pension Liability
- Schedule of City Contributions

Supplementary information other than RSI will accompany the City's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and perform certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- The combining and individual fund statements and schedules, including budgetary comparisons
- The schedule of fees imposed subject to the provisions of NRS 354.5989 – limitations of fees for business licenses
- Certain budgetary comparison and reconciliation schedules (RSI)

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Introductory Section
- Statistical Section

### **Auditor Responsibilities**

We will conduct our audit in accordance with U.S. GAAS and in accordance with *Government Auditing Standards*, and/or any state or regulatory audit requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and, if applicable, in accordance with *Government Auditing Standards* and/or state or regulatory audit requirements.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

### **Compliance with Laws and Regulations**

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the City's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.



## Other Services

We will also assist in preparing the financial statements of the City in conformity with U.S. generally accepted accounting principles based on information provided by you. We will also provide other nonattest services related to preparation of proposed adjusting journal entries. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

## Management Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- c. To provide us with:
  - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements such as records, documentation, and other matters;
  - ii. Additional information that we may request from management for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
- e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
- f. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
- g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With respect to financial statement preparation services and any other nonattest services we perform including preparation of proposed adjusting journal entries, the City's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

## **Reporting**

We will issue a written report upon completion of our audit of the City's basic financial statements. Our report will be addressed to the governing body of the City. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

## **Other**

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

## **Provisions of Engagement Administration, Timing and Fees**

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Teri Gage is the engagement partner for the audit services specified in this letter. Responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. We expect to begin our audit in July 2019.

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices are payable upon presentation. Our fee for the audit will not exceed \$79,500 (which includes travel expenses). We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the City's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our audit procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to the City Council and management of the City the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Eide Bailly LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators and federal agencies pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Eide Bailly LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulators. The regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

*Government Auditing Standards* require that we provide, upon request, a copy of our most recent external peer review report and any subsequent review reports to the party contracting for the audit. Accordingly, we will provide a copy of our most recent peer review report at your request.

## **DISPUTE RESOLUTION**

The following procedures shall be used to resolve any disagreement, controversy or claim that may arise out of any aspect of our services or relationship with you, including this engagement, for any reason ("Dispute"). Specifically, we agree to first mediate.

### ***Mediation***

All Disputes between us shall first be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator. The mediator will be selected by mutual agreement, but if we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA").

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute. Mediation will be conducted with the parties in person in Elko, Nevada.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Either party may commence suit on a Dispute after the mediator declares an impasse.

## **INDEMNITY**

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively "Eide Bailly") shall be responsible for or liable to you for any misstatements in your financial statements that we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

If a claim is brought against you by a third-party that arises out of or is in any way related to the services provided under this engagement, you agree to indemnify Eide Bailly LLP, its partners, affiliates, officers and employees against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with the services performed hereunder provided that the services were performed in accordance with professional standards, in all material respects.

## **ASSIGNMENTS PROHIBITED**

You agree that you will not and may not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly LLP, its partners, affiliates, officers and employees, to any other person or party, or to any trustee, receiver or other third party.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,



Teri Gage, CPA  
Partner

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RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the City of Fallon by:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

CC: City of Fallon Council Members