

**MINUTES
CITY OF FALLON
55 West Williams Avenue
Fallon, Nevada
December 22, 2020**

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

Present:

Mayor Ken Tedford
City Councilman James D. Richardson
City Councilwoman Kelly Frost
City Councilwoman Karla Kent
Police Captain Kris Alexander
Chief of Staff Robert Erquiaga
City Clerk-Treasurer Sean C. Richardson

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.

Chief of Staff Erquiaga advised that the agenda was posted in compliance with Governor Sisolak's Emergency Directives, the agenda and the supporting materials were posted at City Hall, on the City's website, and the State of Nevada's public notice website on or before 9:00 a.m. on December 17, 2020.

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.

Consideration and possible approval of the City of Fallon Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020

City Clerk Richardson explained that the City is required by law to provide an annual audit of its financial statements. The audit is an accumulation of many hours by many individuals over an entire fiscal year. The final product of the audit is the City's

Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The audit takes a team effort, and he recognized the City Clerk's Office staff led by Deputy City Clerk Lee and former City Clerk Gary Cordes who was here for the majority of the audited fiscal year. He would also like to recognize the Audit Committee members: Councilwoman Kent, City Attorney Mike Mackedon, and Chief of Staff Erquiaga. He also consulted with Mr. Bob Erickson, utilizing his institutional knowledge during this process. The appointed officials, as the day-to-day managers of their own departments, deserve recognition as well as all City employees. He thanked the Mayor and Council for their strong fiscal leadership during the year and their decision-making, especially during this past unprecedented year. The City's audit was performed by Eide Bailly, led by Ms. Terry Gage and Ms. Mary Cain. Eide Bailly has done the City audit for several years, always providing a great deal of expertise and professionalism. It was his pleasure working with them on his first City audit and today, Ms. Mary Cain, the senior audit manager for our audit, will present the report.

Mayor Tedford invited Ms. Cain to the podium and thanked her for being present today.

Ms. Cain thanked City staff for all their efforts to assist Eide Bailly in completing this audit. She appreciated all the help and everything they did to provide information in a timely manner. She explained that she would review portions of the Comprehensive Annual Financial Report and then move on to a final communication letter from Eide Bailly that she will review at the end. On page 5, last year's Comprehensive Annual Financial Report was submitted to the Government Finance Officers Association and the City received a Certificate of Achievement for Excellence in Financial Reporting. The Independent Auditor's Report is on page 8. This is the report where they provide an unmodified opinion, where they stated that the financial statements are materially correct in all respects. Management's Discussion and Analysis is on page 11. It is prepared by City Clerk Richardson and is a narrative overview to put the financial statement numbers into perspective and better understand what the numbers mean. The actual financial statements begin on page 22 with the Statement of Net Position, it shows everything for the governmental activities and business-type activities on a full accrual basis as if they were a business. The total net position is \$58.8 million. That is what the City Council is in charge of overseeing. It is a \$6.4 million increase from the prior year due to the recognition of the contributions for the Pennington Youth Center. It had been deferred until most of the youth center construction was complete. There was a \$9.9 million increase in capital assets and the largest ones from governmental activities were the airport perimeter fence and 20-year master plan; and through business activities in the Electric Fund, it was the youth center, the New River Substation, and the meter project. A new roll-off truck was acquired for the Sanitation Fund, and the Sewer Fund began the manhole rehab project. A vacuum truck was purchased with new debt and split between the Electric, Sewer, and Water Funds. The most sensitive liabilities listed include estimates such as the landfill closure which decreased \$375,000 due to a new report with updated volumetric calculations. The Net Pension Liability increased \$435,000 due to the change in proportionate share. The OPEB (Other Post-Employment Benefits) Liability increased \$663,000 with new census data and changes in participation rates. The Statement of Activities is on page 24, it shows the different governmental expenses and different income by government function and each of the business-type funds. One of which is the Electric Fund, which shows \$6.8 million in

contributions for the youth center. The Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds is on page 31. This is for the business-type funds. Each fund should be able to support itself based on its revenue and expenditures. Three of those funds have losses this year: Water Fund, Water Treatment Fund, and Sanitation Fund. Notes to Financial Statements begin on page 34, it contains information such as procedures and details about liabilities and assets. Continuing on, in the Notes to Financial Statements, they must report if they notice any possible noncompliance with any laws or regulations, and as reported on page 42, they did not notice any possible violations of any laws or regulations. Required Supplemental Information begins on page 68. The first is a budget comparison for the General Fund, even with everything going on this year, the City had \$228,000 more in revenue than the prior year. Most had to do with an increase in consolidated tax distribution. Ad Valorem increased, as did enterprise fund administration fees in lieu of taxes; these caused the revenue to increase in the General Fund. Total expenditures were \$9.4 million, as noted on page 71. This is under budget. She explained the State likes to see an ending fund balance that is at least 8.3% of the expenditures for the year, which would provide one month of running expenditures. The City has 11%, more than a month of running expenditures in the ending fund balance. Detailed schedules of each individual fund are also included in the report. The Statistical Section begins on page 114. She explained that they review this section to make sure it makes sense, but City Clerk Richardson spends a lot of time finding these numbers, formatting them, and getting these statistics together. So, this section is mainly his work. A report on internal controls is on page 134. They look at them, but they do not actually provide an opinion on internal controls; however, they are required to have an understanding of the City's internal controls. They did have one finding related to internal controls that would be reviewed later. A report on major federal programs begins on page 136, a compliance audit was performed this year. This report provides an opinion that the schedule of federal expenditures is materially correct and there were no findings regarding the compliance audit. The Schedule of Expenditures of Federal Awards is on page 140 and the Schedule of Findings and Questioned Costs is on page 142. They tested the airport improvement program this year for compliance and there were no findings. There was one finding this year, as noted on page 143; during the audit it was discovered that one adjustment needed to be made to keep the financial statements materially correct. There was \$226,000 in retainage for work on the youth center that had not been booked to Construction in Progress (CIP) or a liability for construction retainage. That one adjustment had to be made to bring the financial statements to be materially correct. She added that this did not have anything to do with normal day-to-day processing of any expenditures or revenue, it was something that would only happen at year end and only when construction is occurring. Ms. Cain then referred to the final communication letter from Eide Bailly. According to audit standards, there are certain things that they need to communicate to the City Council at the end of each audit. The first page reviews the professional responsibilities of both the City and Eide Bailly. The second page advised that they did not have to implement any new standards this year. It also confirmed the most sensitive accounting estimates are OPEB liability, pension liability, and landfill post closure liability. The third page confirmed that the actuary report was reviewed, and that the actuary had the correct experience, skills, and knowledge to perform those estimates and they believe that they are correct. Some of the most sensitive disclosures had to do with payroll, deferred outflows and inflows of resources,

net position and fund balance, and post closure cost liability for the landfill. They noted that they did not encounter any significant difficulties during the audit. For corrected and uncorrected misstatements, she previously discussed the one correction that was in the findings. The fourth page lists items that were found but did not rise to the level that they prevented the financial statements from being materially correct. These included account posting errors and retainage that was not recorded as accrued. These are not daily processing errors; they occur once a year or only during construction. There were no disagreements with management. They did not need to consult with any other accountants. There were no other significant matters or findings. Ms. Cain ended her presentation and asked if there were any points in her presentation that needed clarification.

Mayor Tedford inquired if the Council had any comments or questions.

Councilwoman Kent thanked Ms. Cain for her detailed review and explanation of the report.

No further comments were noted.

Mayor Tedford inquired if there were any public comments or questions.

No comments were noted.

Mayor Tedford thanked Ms. Cain for her efforts again this year; he appreciated working with her. She and her team did a nice job. He wanted to echo what City Clerk Richardson said earlier, thanking Councilwoman Kent, City Attorney Mike Mackedon, and Chief of Staff Erquiaga for sitting on the Audit Committee and doing the work that they do. He thanked City Clerk Richardson and his staff for their time toward the audit. He also thanked Bob Erickson for sitting in as our financial consultant and helping this audit go smoothly. He thanked City staff for all the work that we do here.

Ms. Cain thanked Mayor Tedford for his comments. They appreciate working with the City, staff helped everything go smoothly and it was better for everyone. She added that City staff puts in a lot of effort to get ready for them, work with the team while they are here, and must still complete more tasks after they leave.

Mayor Tedford noted that he should not forget to acknowledge former City Clerk Gary Cordes, as he was here for nine months of the fiscal year. He wished Ms. Cain a Merry Christmas and asked her to pass on his sentiments and appreciation to Ms. Terry Gage in the Elko office.

Councilwoman Kent motioned to approve the City of Fallon's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020; seconded by Councilwoman Frost and approved with a 3-0 vote by the Council.

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.

Councilwoman Frost wished everyone a Merry Christmas.

Mayor Tedford also wished everyone a Merry Christmas.

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 9:23 a.m.



Mayor Ken Tedford

Attest: 

Sean C. Richardson, City Clerk-Treasurer