

**MINUTES
CITY OF FALLON – CITY COUNCIL
55 West Williams Ave
Fallon, Nevada
January 28, 2022
9:00 a.m.**

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

Present:

Mayor Ken Tedford
City Councilman James Richardson
City Councilwoman Kelly Frost
City Councilwoman Karla Kent
Chief of Staff Bob Erickson
City Attorney Mike Mackedon
Public Works Director Brian Byrd
Deputy Public Works Ryan Swirczek
City Engineer Derek Zimney
Captain Kris Alexander
City Clerk-Treasurer Sean Richardson
Deputy City Clerk Mike O'Neill
Deputy City Clerk Elsie Lee

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.

Deputy City Clerk Elsie Lee advised that the agenda was posted in compliance with the NRS requirements.

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 comments were noted.

Public hearing for consideration and possible approval of the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2021.

City Clerk-Treasurer Sean Richardson stated that pursuant to NRS 354.624, the City shall provide an annual audit of its financial statements for the year ended June 30, 2021. Clerk-Treasurer Richardson stated that this audit is an accumulation of many hours, by many individuals over the entire fiscal year and even a little bit after the fiscal year. He continued by saying that this is a total team effort on behalf of the City. He started by thanking the audit committee, which includes Councilwoman Kent, City Attorney Mike Mackedon, Deputy City Attorney Trent debraga and Chief of Staff Bob Erickson. He also thanked the entire staff of the City Clerk-Treasurer office as they play an everyday part of the financial process. In addition, Clerk-Treasurer Richardson recognized all the appointed officials for leading their respective departments. The audit encompassed the entire City and each department plays a vital role in it. Finally, he thanked the Mayor and the Council for their strong fiscal leadership during the year and their great decision making. The audit was performed by Eide Bailly, Clerk-Treasurer Richardson stated, and was led by Terri Gage and Mary Cain. He mentioned that Eide Bailly has done the City audit for many, many years and they have always provided a great deal of expertise and professionalism and it has always been a pleasure to work with them. He then introduced, Mary Cain, Senior Audit Manager to present the financial report.

Mayor Tedford thanked Mary.

Ms. Cain greeted the Council and thanked them for having her here today. Ms. Cain stated that she has always enjoyed working with City and loves coming out here to Fallon every year and getting to see the wonderful city and all the new and improved things. She continued by thanking Sean and the Clerk's office and all the other employees of the City as this does take a lot of time and effort on their behalf before she ever showed up. She then continued by saying that the City Staff still must do their normal, daily jobs while dealing with all the questions and requests for pulling information and recognized that it is a lot of extra work on their behalf, as they also maintain professionalism, politeness, and a willingness to help. She mentioned that everyone should have a copy of the financial statements in front of them and explained that she will go through some highlights and give some ideas of what went on. Ms. Cain continued by stating that on page 5, last year, they were able to receive the Certificate of Achievement for Financial Reporting for last year's financial statement. She said that this was a good thing, since it takes a lot of extra effort for Sean and his staff, spending extra time, pulling statistics, and getting them all, in order, to get them into the financial statement to meet that certificate. She said that every year they must make sure that they are up to date with the new requirements for that certificate. She moved forward to page 8, explaining the auditor's report, which is their opinion. The first page mentions the firms' responsibilities and the responsibilities of the management here at the City for the financial statement. She then directed the Council to the second paragraph of page 9, which is their opinion on these financial statements. She said that their opinion is unmodified, meaning that they believe that these financial statements are materially correct, and they don't think there are any other changes that would need to be made to make them materially accurate. She explained, that by material, we say, there might be some small thing we didn't catch but nothing major enough that would change anybody's opinion if they read these. She continued, on page 11, starts management discussion analysis, a document written by Sean and his staff, having pulled everything together from the financial statements and looking up additional information to prepare this document. She said that it is good information, actually, being more of a narrative that goes over the financial statements instead of straight, hard numbers. She also said that this is a great place to get information, including things that are going on in the City during the year that would have affected the financial statements and possibly going forward in the future. She continued by saying that it would be a good, summary document to

read, reiterating that it was prepared by Sean so that you have that view and perspective on what has gone on in that additional information. Ms. Cain directed Council to page 23, which are where the basic financial statements start, and this is the net position that lists all your assets and liabilities for both the governmental activities and business-type activities. She stated that one of the biggest assets that the City has is Capital Assets. The governmental Capital Assets this year, did go up by about \$9.5 million. She said that a lot of this had to do with the Pennington Youth Foundation and this affected both your governmental and business type activities. The expenses were paid for with the Pennington Grant money out of the electric fund and any additional money was paid to the electric fund. It was completed and placed into service this year and since it used as a youth center, a governmental activity, the electric fund then transferred it to the governmental fund and that is a \$7.4 million transfer. She mentioned that we would have pulled it out of the business type activities, the electric fund, capital assets and moved them into the governmental. She noted that that is the biggest reason that the governmental capital assets went up so much. She continued by saying that there were additions for work at the airport, various equipment was purchased and continues to work on improvements of the streets and the downtown – these are also a part of the increase of the governmental. The business type did go down this year, about \$6.2 million because of the change of the transfer over to the Pennington, which was a big asset at \$7.4 million. There were some additions to the capital assets for that, including the batteries for the traffic signals, other equipment that was purchased, starting on the new public works building, and various other equipment. Ms. Cain laughingly joked that she could read more but didn't think anyone wanted to hear her ramble about capital assets. She also mentioned that this includes liabilities and we do know that those went up this year, with bonds issued, paid off one that we had to issue to refund that one and then another \$2 million to get some other projects done and some other liabilities paid off. She said you should notice the total net position on page 23 of \$62 million, that is what the City Council is responsible for overseeing, which is a big responsibility. She then directed the Council to page 24, which is broken up by function for both government and business type of expenses and revenues coming in. She continued to say that between charges for services, the grants we received and with seeing all this information as the year 2021 was going on, the one thing she wanted to point out was that we should notice a transfer of capital assets of the \$7.4 million, which is for that Pennington Youth Foundation. She said that part of what that did though is, in your business type, it showed in that loss of \$6.4 million for the business type activities, but once again, there wouldn't have been a loss if it wasn't for that transfer of that big asset from the electric fund into the governmental activities. She then asked the council to jump back to page 31, to go over the business type activities of those business funds and the electric fund is showing the biggest loss and that is only because of the Pennington Center, so we don't see it as such a big concern. She moved on by saying that the Water Treatment fund is still showing a loss every year and has done so for a while. She continued by saying that usually, we would want our enterprise funds to be stand-alone, self-sufficient funds that can support their assets when they need additions or replacements and support its own activities, so we might want to keep an eye on it in budgeting the rates. She moved on to the Sanitation Fund, saying that it has improved, going from losses in the prior year to it having income coming in, which is good since it had been running with a negative fund balance. She said we are working our way out of that hole and that is a good thing and great news that we have been able to bring that around. She said, "enough about numbers" and asked the council to go to page 42. She did say that they are required to look at possible compliance with laws and regulations and this year, they did note some possible non-compliance with NRS and NAC. She stated that Nevada Administrative Code does

require that a capital asset inventory is taken every two years and it has not been taken now, in just over two years. Continuing, she said that Sean and his office can work on getting that capital asset inventory taken and up to date in compliance with the NAC. She did note that there were two funds, the electric and landfill fund, that did overspend their budget. She mentioned that in the electric fund there were quite a few extra purchases for the electricity that probably we didn't realize until after the ability to make and augment, so that is probably the most likely cause for that overage in the electric fund. The landfill fund is always lots of fun because you must estimate what that change in closure is going to be and this year it was \$165,000.00, which was larger than we had originally expected. Ms. Cain made mention that both overages were new this year and were not present last year. Again, she directed to the Council to page 69 and 70 with the biggest fund, being the general fund, which most of the activity runs through this fund for the City. She went over the highlights of this, with the total revenues for this fund, going up by \$3.8 million, with the bulk of this being in grants. The CARES Grant came in at \$1.5 million to help pay for a majority of the COVID expenditures and overtime for public safety and those wages. There was also a \$1 million grant to help with downtown streetscapes from NDOT, and that was the bulk of that. Ms. Cain continued to say that the additional consolidated taxes were up this year, as was seen in most entities, as more people are out and about and spending money again. Ms. Cain directed the council to page 71 and 72 which list the expenses by function for the governmental activities. There was an increase this year, following revenues with the \$4 million increase, with the bulk of this being capital outlay, with a lot of the money being spent on streets, noting that there a lot of projects still going on with that, being paid for with grant money. She reiterated that revenues went up and expenses went up with it because of the same reasons. She also said that the ending fund balance in the general fund is 10.5% of expenditures for the year. She mentioned that in Nevada that normally 8.3%, which is about one month of operating expenses, so Fallon has a better cushion than that, which is good thing, as the curve balls that have been sent our way in the last year. Not wanting to dive into the details, Ms. Cain continued by saying that most of the rest of the report is individual statements by fund, but good information if you want to look for something specific on a specific fund, what was spent and what went where, in different variations from budget. Ms. Cain then directed council to page 138, noting the reports on each major program, as they had to do a single audit for compliance with grants. There was one finding, a control finding, not a non-compliance finding, and she mentioned that she would go over that here in a moment. She mentioned that the findings begin on page 145, with only two findings this year. Those findings were with the financial statements side and the single audit side. The financial statement is the report prep, with the good news being last year there was an audit adjustment and this year there were none. This finding has to do with even though there were not audit adjustments, there are some very specific things, especially things that go into these financial statements and she laughingly said that we all sit around reading every word of these notes, because it is great, fun reading. She said that Sean does a great job, improving from last year and continuing to see remarkable improvement. Ms. Cain said that in talking with Sean, there are some things with those notes and getting updated on (inaudible) and there have been some big ones in the last years, with pension and OPEP, that are monsters. She said that with more time, Sean will improve, as he is very capable, and will just need to move forward getting updated on that knowledge. She mentioned Sean's prior work with governmental, that there is no problem with the numbers that are being put out, anything that is being processed, it's about these financial statements and getting caught up on all those GASBs to the point where he will know what is missing or something that doesn't look right, and this is ultimately, just a time-learning issue. She is confident that

as Sean improves, they will look at taking that finding away. She also mentioned that this not an uncommon finding in rural places in Nevada and we are not alone. She continued with the single audit finding mentioning that a couple of years ago, they changed from OMB to Uniform Guidance and they made some changes to the procurement procedures and the levels at which you must either get quotes or go out to bid. They also said you must now have, in your internal controls, the specific policy for documenting and insuring, so you comply with those requirements. That specific policy, to comply with the federal requirement, has not been written and put in place. She said that we did comply with the requirements, even though we didn't have it, but that it must be in there. They say that as an internal control for those compliance requirements, it must be there. This will require getting that information together and getting it written up and getting it into place. She did say that we follow NRS, unfortunately, that does not follow what the federal requirements are and even though the federal requirements may be higher in some instances, the federal government does say that you can go with a lower one – they are not going to ding you for that – but you do need to have those policies and procedures in place to make sure that you do comply with the federal requirements for when you have to get quotes, get informal bids, or when you have to get a formal bid for all your grants. She reiterated that we did comply, that was not an issue, it is just getting those control procedures in place to make sure that that continues to happen every year. Ms. Cain asked the Council if they had any questions about the findings or any other things in the financial statement.

There were no further questions.

Ms. Cain directed the council to the letter in front of them, noting that they are required by audit standards to make sure that they communicate specific things to them each year and this letter makes sure that they do just that. Ms. Cain continued by saying that the first page of the letter just goes over that they indeed do the audit with governmental auditing standards, there was a single audit involved and what their requirements were.

Councilwoman Frost asked if she could go back to the findings? Ms. Cain agreed. Councilwoman Frost asked for clarification on the findings, that we have done, what we need to do, but it needs to be written down, asking if that was correct. Ms. Cain concurred and mentioned that OMB, uniform guidance, is what the federal government put out that said that these are the compliance requirements for specific grants, and they said that part of that is if procurement, purchasing stuff, is applicable, you must have a written policy and procedures to ensure that you follow the guidance of their procurement policy. She reiterated that we were able to follow them, we just must get that written policy and procedure in place.

Ms. Cain continued with page two of the letter, saying, we did comply with all ethical requirements. She also mentioned that there are certain estimates imbedded in our financial statements, with the biggest of those being the post-employment benefits, the pension liability and of course, the landfill closure. She said that this is all information base on actuaries and engineers and others that have that knowledge and expertise to make that estimate. She did say that it fluctuates each year because it is an estimate and as we get new information, we try and come up with a better estimate each year. She moved on to page three, towards the bottom, looking at corrected and uncorrected misstatements and said that there were no audit adjustments this year that were necessary to be made to the books to get the financial statement to be materially correct. She said that this finding was a credit to Sean and his staff, Elsie, Mike, and everybody who works on it, with all the information that the rest of the City's employees have put through to them to get it to that point, which is great news. She did mention that there were some uncorrected ones, things that they found that were among our nature, that are not big enough to need a forced correction or an adjustment to be done. She

did say that they are required to let us know that they did find them, and Sean is aware, as they were gone over with him. The first was an understatement of dues to other governments revenue reimbursement in that position. There is the reimbursement that is made for the fire department as it is split with the county and those had not been accrued at the end of last year or this year. She is confident, after speaking with Sean, they are working on a process of making sure it will happen, going forward. She then directed Council to the next page, saying there was an understatement of the finds of forfeiture revenue and an overstatement in bail holdings revenue, and this was a mis-posting just between revenue accounts. She did say that in the electric fund, there was an understatement of capital assets and an overstatement of expenditures. There was about \$69,000.00 in expenses for streetlights that should have been capitalized that weren't. In the sanitation fund, she continued by saying that there was an overstatement of customer deposits and an understatement of revenue, about \$13,000.00. She mentioned that roll-off fees had been posted as a customer deposit instead of as revenue. In the electric fund, there was an overstatement of deferred charges on refunding and an understatement of bond costs, so a long discussion was held with Sean. They went back and forth checking on it. A couple of years ago, GASBs changed, you used to have to defer an amortized bond costs over the life of the loan and now they have changed it said that you must expense them. She pointed out that there was an overstatement of interest this year and an overstatement of beginning net positions in the superfund when this is a reversal from a prior year, one we noticed in the prior year, interest expense was not accrued so that interest expense was not accrued so that interest expense is showing up in this year's financials. She continued by saying that the rest of the letter stated that there were no more disagreements with the management, as they had requested a management representation letter from them, which they did sign, and she did say that there were no other significant issues. She directed Council to the bottom of the page and the next page, is the discussion again about the possible non-compliance with NRS and NAC, which we have already gone over, and the rest is just that there is other information with the financial statement, some of which we did audit and some of which we didn't. She did continue to say that they don't necessarily audit the statistics, which Sean provides us to put in there, but we do look at them for reasonableness and consistency. Ms. Cain says that they do read the MDNA to make sure it is consistent, but they don't necessarily perform audit procedures over them. She said that that concludes her portion and asked if there was anything else she could go over and anything that someone was wondering about.

There were no further questions.

Councilwoman Kent made a motion to approve the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2021. Councilwoman Frost seconded it and gave thanks to Sean and to the committee and Eide Bailly, mentioning it is a lot of work. The motion was approved with a 3-0 vote by the Fallon City Council.

Introduction of Bill Nos. 788, 789, 790: ordinances amending Title 2, Chapter 2.20, Sections 2.20.020, 2.20.030, and 2.20.050 of the City of Fallon Municipal Code for the purpose of changing the dates of primary and general city elections, requirements for primary election candidates, and commencement of office for elected officers following general city election; and for other matters properly related thereto. (This agenda item is for possible introduction of the proposed ordinance only. If introduced, a public hearing on the proposed ordinance will be set in the next agenda item and no further action can or will be taken at this meeting. At the public hearing, which will be properly noticed and advertised, the City Council will take comment and then consider possible adoption of the ordinance as introduces or amended.)

Councilman Richardson - Introduction of Bill Nos. 788, 789, 790: ordinances amending Title 2, Chapter 2.20, Sections 2.20.020, 2.20.030, and 2.20.050 of the City of Fallon Municipal Code for the purpose of changing the dates of primary and general city elections, requirements for primary election candidates, and commencement of office for elected officers following general city election; and for other matters properly related thereto.

Set public hearing date for Bill nos. 788, 789, and 790; Ordinances amending Title 2, Chapter 2.20, Sections 2.20.020, 2.20.030, 2.20.050 of the City of Fallon Municipal Code for the purpose of changing the dates of primary and general city elections, requirements for primary election candidates, and commencement of office for elected officers following general city election; and for other matters properly related thereto.

Mayor Tedford set the public hearing for February 15, 2022, at 9:00 a.m.

Introduction of Bill No. 791: An ordinance amending Title2, Chapter 2.40, Section 2.40.020, of the City of Fallon Municipal Code for the purpose of changing the appointment dates of appointive officers; and for the matters properly related thereto. (This agenda item is for possible introduction of the proposed ordinance only. If introduced, a public hearing on the proposed ordinance will be set in the next agenda item and no further action can or will be taken at this meeting. At the public hearing, which will be properly noticed and advertised, the City Council will take comment and then consider possible adoption of the ordinance as introduced or amended.)

Mayor Tedford entertained a motion to take introduction of Bill No. 791.

Councilwoman Frost introduced Bill No. 791. An ordinance amending Title2, Chapter 2.40, Section 2.40.020, of the City of Fallon Municipal Code for the purpose of changing the appointment dates of appointive officers; and for the matters properly related thereto.

Set public hearing date for Bill No. 791: An ordinance amending Title 2, Chapter 2.40, Section 2.40.020, of the City of Fallon Municipal Code for the purpose of changing the appointment dates of appointive officers; and for other matters properly related thereto.

Mayor Tedford set that date for February 15, 2022, at 9:00 a.m.

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 comments were noted.

Council and Staff Reports

Mayor Tedford inquired if there were any Council or staff reports.

No comments 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 9:30 a.m. Mayor thanked everyone, once again, who worked on the audit report.

Attest: 
Sean C. Richardson, City Clerk-Treasurer


Mayor Ken Tedford