

**MINUTES
CITY OF FALLON
55 West Williams Ave
Fallon, Nevada
February 27, 2025**

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

Present:

Mayor Ken Tedford
Councilwoman Kelly Frost
Councilwoman Karla Kent
Councilman Paul Harmon
Chief of Staff Bob Erickson
Deputy City Attorney Sean Rowe
City Clerk Treasurer Michael O'Neill
Deputy City Clerk Elsie Lee
Deputy Public Works Adrian Noriega
Deputy Public Works Marco Guerrero
Deputy Public Works Erik Fain
Captain John Riley
Captain Daniel Babiarz
City Engineer Derek Zimney
Emergency Manager Steve Endacott

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

Mayor Tedford led the Pledge of Allegiance.

Mayor Tedford asked everyone to remain standing for a moment of silence in honor of Michael Mackedon, who was a dear friend and a part of this City for many years.

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

City Clerk Treasurer Michael O'Neill 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.

Possible introduction of Bill No. 802: An Ordinance amending the City of Fallon Municipal Code, Title Five, Chapter 5.52, “Gaming Licenses,” by amending Section 5.52.040 by removing the no fewer than sixty guestrooms requirement before the issuance of a non-restricted gaming license and related exception provisions thereto; amending Section 5.52.050 to address the effect of discontinuation of non-restricted gaming for twenty-four months; amending Section 5.52.060 by removing the process that allows a restricted or non-restricted gaming license to be transferred by making an application to the Chief of Police and requiring the application to be approved by a majority vote of the City Council; amending other terms to create consistency throughout; and other matters properly related thereto. 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 comments and then consider possible adoption of the ordinance as introduced or amended.

Councilwoman Frost Introduced Bill No. 802.

Setting a public hearing date for Bill No. 802: An Ordinance amending the City of Fallon Municipal Code, Title Five, Chapter 5.52, “Gaming Licenses,” by amending Section 5.52.040 by removing the no fewer than sixty guestrooms requirement before the issuance of a non-restricted gaming license and related exception provisions thereto; amending Section 5.52.050 to address the effect of discontinuation of non-restricted gaming for twenty-four months; amending Section 5.52.060 by removing the process that allows a restricted or non-restricted gaming license to be transferred by making an application to the Chief of Police and requiring the application to be approved by a majority vote of the City Council; amending other terms to create consistency throughout; and other matters properly related thereto.

Mayor Tedford set the public hearing for March 12th, 2025, at 9:00 a.m.

Consideration and possible approval of the City of Fallon’s Annual Comprehensive Financial Report for the year ended June 30, 2024.

City Clerk Treasurer Michael O’Neill stated that included in the agenda packet is the City of Fallon’s Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024, which has been audited pursuant to NRS 354.624. This report is presented today, for the approval of the Council. The City’s Annual Comprehensive Financial Report and its accompanying audit is a combination of many hours of work, by many individuals. It is truly a team effort. I would like to recognize Deputy Clerk Elsie Lee, my predecessor Sean Richardson, and the staff of the Clerk’s office for the day-in and day-out work that they put into the fiscal process, supporting the City. I would like to thank the Audit Committee comprised of Councilwoman Karla Kent, City Attorney, the late Mike Mackedon, Deputy City Attorney Trent deBraga, and Chief of Staff Bob Erickson, who helped oversee the City’s financial reporting, internal controls, and risk management. In addition, I would like to recognize all of the appointed officials for leading their respective departments. This support encompasses the entire City and each department plays a pivotal role. Finally, I would like to thank Mayor Tedford and the Council for their fiscal leadership and decision making. The accounting firm, Eide Bailly, conducted the City’s

Annual Comprehensive Financial Report audit. Eide Bailly has overseen the City's annual audit for several years and has always provided a great deal of expertise and professionalism. It is always a pleasure working with Eide Bailly, especially the engagement partner, Teri Gage. Teri is here today, to present the audit report and answer any questions that you might have.

Teri Gage, Audit Partner for Eide Bailly, addressed the Council. We are going to present the audit ended June 30, 2024. We placed in front of you two items, bound financial statement, and there is a letter attached underneath. Most everything in the letter, as we go through the financial statements, we are going to be reviewing those required communications to the Council that are listed in that letter. So, the bound financial statements, we are going to start on page 8, which is the Independent Auditor's Report. I am happy to report that the City of Fallon has what we call, a clean audit opinion, for the year ended June 30, 2024. That is the highest level of assurance that you can receive on your financial statements. We state that your financial statements are fairly presented in all material respects for the year ended June 30, 2024. We do have one prior adjustment that changed the balances from the previous year, related to a software contract. On June 30, 2023, there was a new accounting standard to bring on software leases. Honestly, I think I have had several of our audit clients that, as you go through and you implement new standards, this one was very complex, and there was one software lease that didn't get included in last year's financial statements. So, it is included in the current year, and we will go through those numbers, in just a moment. Like I said, it happened on several entities, it was a very complex standard to implement. We are going to jump to page 23 and 24. This is your Statement of Net Position. It is very similar to a balance sheet that many of you are used to seeing. It starts off with assets, less liabilities equals your total net position for the City of Fallon. These statements, on page 23 and 24, combine all of your funds together, on a full accrual basis. So, you can see all of the governmental activities, and all of your business type activities, all in one column. The Council is responsible for 70.7 million dollars in net position. That is an increase of about 100,000 dollars from the previous fiscal year. We are going to just go over a couple of highlights. Your cash and investments went up about 3.9 million dollars. Of the total cash and investments 7.2 million is restricted for bonds, grants, deposits, and capital. Your unrestricted cash and investments went up about 150,000 dollars from the previous fiscal year. You had about 8.3 million dollars in capital asset additions, so lots of projects going on within the City, for that fiscal year. About 3 million dollars in street projects, you had projects at the park for the Splash Pad, pickleball courts, for about 1.1, 1.2 million. You had new equipment at the landfill. You had the electric meter project that you put into place this last fiscal year. So, lots of projects were going on. Significant estimates, included in these financial statements, you have 3 items that are significant estimates that are determined from third parties. The first one is your net pension liability. So, that is the liability for PERS. That liability, in total, is about 14.5 million dollars. The prior year was 13.2 million dollars. So, it went up about 1.3 million dollars. You have a proportionate share of the entire state's liability for PERS, and your percentage is 0.00952%. So, this liability is based on actual actuarial valuation. It is always a year behind, so it is based on June 30, 2023, and PERS updated evaluations, each year. All of the entities in Nevada include them in their Audit Reports. You also have another estimate, it is called, Other Post Employment Benefit Liability, OPEB. So, that is all your healthcare benefits, and that liability is about 2.1 million dollars, it is up about 20,000 dollars from the previous fiscal year. Your last estimate is the Landfill Post Closure Liability. It went up about 55,000 dollars for that

liability, so all of your costs, when you finally closed the Landfill, that is part of that liability calculation. You did have new debt, this past fiscal year, that went to pay for a lot of your projects that you had going on. You had about 9.5 million dollars in new debt. That was in your General Fund, your Sanitation Fund, and your Landfill Fund. So, that was to fund some of those various projects, and you still have, like I said, sitting in restricted cash, to help fund these projects as they continue to be completed. Your Unrestricted Net Position is a deficit, 7.6 million dollars. This is down from 8 million dollars in the previous fiscal year. Most entities in Nevada, your size, end up with a deficit because of that PERS liability and the OPEB liability. That is 16 million dollars, so that creates a deficit in that net position. As we get back into your funds, that you budget upon, you are going to see where you don't have a deficit in those funds, you only have a deficit when we bring on all of those full accrual liabilities onto these statements. I am going to jump to page 44. On page 44, at the top of the page, note 2 to your financial statements, this is your compliance with Nevada Revised Statutes and Administrative Code. I was very happy to see, and I think you are one of my only ones that did not have any over-expenditure from the budget this year. So, it was a great job for everyone. We did have one non-compliance with statute, and it was on fiscal inventory account of all of your capital assets. State statute requires that it be done every two years and the last thing that was done was June of 2022. I think this is a common one that kind of gets lost in the shuffle and doesn't get completed on time, but like I said, it is a very common statute violation. We are going to jump to page 69. On the top of page 69, this was our restatement footnote due to that software lease that was not recorded in your financial statements. So, there was a lease in your Enterprise Funds for about 695,000 dollars. It was in the Electric and Water Fund and it was related to the Meter Project, where the software portion of that lease, did not get properly included as an asset and a liability on your financial statement. The net impact was only about 500 dollars, but it was material between the 2 funds, once we brought that lease liability on the statements. Like I said, many entities had something similar. Okay, page 75. So, basically, starting on page 71 and ending on page 75, is your General Fund. So, the main operating fund of the City. Estimates, like we just talked about, PERS, OPEB, those kinds of items, are not recorded in these financial statements for the General Fund, or your other governmental funds because they are basically on a modified cash basis. So, this is the fund that you budget each year. So, at the bottom of page 75, you ended the year with about 5 million dollars in ending fund balance. You had budgeted in the year at 1.1 million dollars, so you are up about 3.8 million dollars from where you were budgeted. So, I was very happy to see that, and you should be happy to see that as well. Your revenues, this past fiscal year, were 14.3 million dollars. The prior year was 17.8 million dollars. The prior year had about 3.9 million dollars in ARPA funds, that were all spent. So, now this was more of a normal year for you, without all of those ARPA funds. Your expenditures were 16.9 million dollars this fiscal year, prior year was 17.9 million, and you were 1.3 million dollars, under budget, for your expenditures. No change in your tax rate for this past fiscal year. You had about a 2.5% cost of living increase for your employees and the PERS rates went up for the fiscal year 2023/2024. I am sure that you are all aware that they are going up again for the years 2025/2026. So, that will be something that all entities in Nevada will really have to watch these rates, they are getting very high. So, you will have to include that in your budgeting process. So, your ending fund balance, like I said, was 5 million dollars. I think that you probably heard me say in the past, you never want to let your ending fund balance get below 8.3%. 8.3% is one month, 1/12th. So, you want to make sure that you have enough cash, to pay all of your funds, for at least, one month. You are

at 30%. Last year you were at 21%. The fiscal year of 2022, you were at 43%. So, I was glad to see that the ending fund balance went up this past fiscal year. Alright, now we are going to jump to page 95. Starting on page 95 are your enterprise funds. So, your Electric Fund, Water Fund, and Sanitation Fund. These are full accrual funds. So, all of your liabilities and depreciation are included in these financial statements. So, on page 95 this is your Electric Fund. Your operating revenues went up by about 1.9 million dollars over the previous fiscal year and your expenses went up about 44,000 dollars. So, you kept operating expenses in line with the previous fiscal year. Your quality-of-life promotion expenses did go up about 348,000 dollars. I think a lot of that was the lovely ice-skating rink that you had at Christmas times and other projects. You ended the year at 5.6 million dollars in ending net position. Cash increased 148,000 dollars. Your energy costs, that you purchase, went down about 880,000 dollars. Your electric rates did increase July 1, 2023. So, I was glad to see that you had a positive cash balance and you're funding a lot of that depreciation, as long as you are increasing that cash balance each year. Page 96 is your Water Enterprise Fund. Your revenues went up about 240,000 dollars and your expenses went up about 250,000 dollars. You ended the year at a 6.1 million dollars in net position. Your cash actually went down, in this fund, about 312,000 dollars. So, you are not fully funding the depreciation, as you have to go to replace equipment or assets within the Water Fund. Your water rates increased. The last increase was 7/1/2023. So, just as you are going through your budgeting process, just continue to look at this fund and make sure that you are trying to fund all of those depreciation expenses. Page 97, this is your Sewer Enterprise Fund. Your revenue went up about 537,000 dollars and expenses went up about 94,000 dollars. You ended the year with 11.5 million in net position. Cash went down in this fund as well, by about 457,000. So, once again, not fully funding your depreciation. So, your rates did go up July 1, 2023. So, just kind of keep monitoring those rates in your budgeting process. Page 98 is your Water Treatment Enterprise Fund. Revenue went up about 26,000 dollars, and expenses went up 93,000, in this fund. You ended the year with 13.5 million in net position and cash in this fund actually went down, as well, about 328,000 dollars. So, once again, monitor it in your budgeting process. On page 99 is your Sanitation Fund. Revenues went up about 116,000 dollars. Expenses went up about 262,000 dollars. You ended the year with 640,000 dollars in net position. Cash went up about 1 million dollars, in this fund, but that was bond proceeds, that aren't fully spent. The unspent bond proceeds were about 757,000 dollars of that. So, like I said, just continue to monitor that. Page 100 is your Landfill Enterprise Fund. Your revenues went up about 400,000 dollars. Your expenses went up about 145,000 dollars. You ended the year with 2.2 million dollars in net position. Cash increased, in this fund, about 3.1 million dollars in bond proceeds that were unspent. So, 2.4 million dollars of unspent bond proceeds are still sitting in that fund. Okay, we are on page 142. So, as part of the audit process, we evaluate your internal control system in place. As we go through that evaluation process or if we have prior period adjustments, adjusting journal entries, we have to include those in what we call a schedule of findings and responses. We had no journal entries that we posted as part of the audit process, but we had that one prior period adjustment for those software leases that were not recorded. Overall, I think the staff did an amazing job. Everybody bent over backwards to make sure that your records were in correct order. Everything was recorded at the end of the year, and I think that it is great that you don't have any other audit findings. I think that is very commendable for all of the staff. You did not have a single audit this year. That is an audit of your grant compliance because you were under 750,000 dollars in grant funds. So, no single audit

this year. So, I think that probably excited everyone. That 750,000 dollar amount increases to 1 million this next fiscal year. So, as long as you stay under 1 million dollars in grant funds, you will not have a single audit. So, I think that is good news for a lot of these small entities. I am more than happy to entertain any questions. Most everything in this letter, we just went through in this discussion, but I am happy to entertain any questions. I want to ditto what Mike said. A lot of time and effort go into putting together this audit report. I thank Mike, Elsie, Bob, the Mayor, and all of the staff that assists with that, you know audits are never a pleasant experience to go through, but you make our jobs very enjoyable. We enjoy coming out here and working with everyone, and we appreciate that relationship.

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

Councilwoman Frost asked for clarification regarding page 75's ending fund balance. It looks very big, but 4 million dollars of that are bond proceeds that are going to big projects.

Ms. Gage stated that it is not included in that balance. We have that in restricted cash. So, it is not part of that 5 million dollars. However, I do want to point out that 2 million dollars in that balance, in your 2024/2025 budget process, you have budgeted 2 million dollars of that balance in costs in 2024/2025. So, that leaves, unassigned, about 3 million dollars, if you look on page 26. So, out of those 5.5 million dollars in ending fund balance, on the bottom of page 26, this page will show, how much of that is assigned, or committed, by the Council or the budget process. You have about 3 million dollars that is sitting there, that is unassigned for future projects. Thank you for clarifying that.

Mayor Tedford inquired if there were any further questions or comments from the Council or the public.

No comments were noted.

Councilman Harmon thanked City staff, Eide Bailly, and all of the department heads for working together to put this together and motioned to approve the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2024; seconded by Councilwoman Kent and approved with a 3-0 vote by the Council.

Public Comments

Mayor Tedford inquired if there were any public comments.

No comments were noted.

Council and Staff Reports

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

No 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 9:25 a.m.

Mayor Tedford

Attest: _____
Michael O'Neill, City Clerk-Treasurer

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