

**MINUTES  
CITY OF FALLON  
55 West Williams Ave  
Fallon, Nevada  
February 27, 2026**

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  
City Attorney Trent deBraga  
Deputy City Attorney Jaren Stanton  
City Clerk Treasurer Michael O'Neill  
Deputy City Clerk Elsie Lee  
Public Works Director Brian Byrd  
Deputy Public Works Adrian Noriega  
Chief Daniel Babiarz  
Emergency Manager Steve Endacott

The meeting was called to order by Mayor Tedford at 1:00 p.m.

Mayor Tedford led the Pledge of Allegiance.

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.

**Consideration and possible approval of the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2025.**

Teri Gage Assurance Partner with Eide Bailly greeted the Council. I am here to present the City of Fallon audit for the year ended June 30, 2025. We placed, in front of you, a bound  
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Audit Report and there was a letter on the top. All the elements of the letter, as we walk through the Audit Report, will be reviewed. We are going to start with the bound copy of the audit on page 7. Beginning on page 7 is your Independent Auditor's Report. I am very happy to report that the City of Fallon has, what we call, a clean audit opinion. It is the highest level of an audit opinion that can be achieved during the audit process. We state that your financial statements are fairly presented in all material respects, as of June 30, 2025. So, exactly what you would want to see in your Audit Report. We are going to jump to page 23. At the top of page 23 is your Statement of Net Position, it is very similar to a balance sheet. It starts off with assets with less liabilities equals net position. At the bottom of page 24, you can see your ending net position. You as a Council, are responsible for net positions. So, the assets less liabilities are about 72 million dollars. That is an increase of about 1.2 million dollars from the previous fiscal year. Your cash and investments went up to about \$765,000. Your restricted cash and investments went up about 4 million dollars, and that was a result of unspent bond proceeds that you still have going into 2025-2026. You had a busy year with capital asset additions. You spent about 6.6 million dollars on different capital projects throughout the City. You spent about 1.5 million dollars on the Airport Improvement Project, to reconstruct your taxi lanes. You had some park projects at some of your parks. You had the Laura Mills Park Fitness Court Project for about \$180,000. You improved some streets. You have the Street Corrective Maintenance Project for about 1.7 million dollars, and you have various projects in your Utility Funds. In the Electric Fund, you spent about \$628,000 on regulators, meters, and other types of electric fund assets. Your Sewer Fund, you spent about \$291,000 on a man-hole repair. You had, in your Water Treatment Fund, about \$109,000 for your Storage Tank Restoration Project. In your Landfill Fund you spent about 1 million dollars on a dozer, and you also had garbage trucks that you spent some funds on, this last fiscal year, for about \$600,000. So, with that, you also incurred some new debt to help fund a lot of these projects. You have a 6-million-dollar medium-term general obligation bond, that helped fund your Water, Sewer, Airport, Street, and Park Projects. You had about 4 million Eighty-Thousand-Dollar Sewer Bond, this last fiscal year. So, included in your Financial Statements, you also have several significant estimates. The first of those is your Net Pension Liability. So, this is your portion of PERS unfunded liability. So, the City of Fallon's proportionate share of the entire State's liability is .10807%. That is a decrease of about 11.9% on the previous fiscal year. Your total Net Pension Liability is about 15.3 million dollars, and that went up about \$800,000 from the previous fiscal year. This liability is based on an actuarial evaluation that PERS performs. It is always a year behind, so this would have been for June 30, 2024. You also have what we call the OPEB Liability. So, those are other post-employment benefits. That liability is about 2.1 million dollars. It is down about \$10,000 from the previous fiscal year. This is the OPEB, the old retiree plan. So, that liability will continue to decrease, each year, as some of your retirees age and are no longer part of that plan. This is a closed plan; no other retirees can join that. You have the Landfill Post Closure cost, and that is an estimate, and that is 1.5 million dollars. That went up about \$60,000 from the previous fiscal year. So, at the bottom of page 24, you will notice, on the very bottom line, you have unrestricted net position of -6.2 million dollars, and it is a deficit. Fallon's has been at a deficit for several years, and that is because of your Net Pension Liability, and many local governments across Nevada's numbers are usually at a deficit because of that liability. You don't fund that. You pay into PERS, each year, you don't fund that liability all upfront. So, that is what creates that deficit. The prior fiscal year's deficit was 7.6 million dollars, so you had a decrease of about 1.4 million dollars from the previous fiscal year. We are going to jump to page 43. Now, we are into what we call your footnotes, to your Financial Statements. I always recommend, at your convenience, that you read these footnotes. They do

provide you with some very informative information on your Financial Statements, and how some of your most significant items are reported. I just want to highlight a few of those items on page 43 and 44. We did have a new accounting standard this last fiscal year that was implemented, and that was GASB Statement 101 for Compensated Absences. Across the United States GASB had found that people were just accounting for their vacation, sick, and comp time liabilities different. So, they were trying to add some consistency to the way that the liability is reported. So, vacation and comp time probably have no change, at all, but for sick leave, now they look at recording that liability if you are more likely than not to pay it out. So, I know that the accounting staff spent quite a bit of time looking at forfeiture and usage rates over the last several years and determined what that new liability would be. It wasn't a huge impact. I think your liability went down by about \$48,000, from the way that it was reported in the past. I think that it is making local governments look and monitor those liabilities a little bit more. I have some governments that pay out 100% of their vacation and sick time. So, their liability went way up, and they are kind of starting to look at that liability and saying, how does it impact us? Do we want to look at changing it for future employees and how much do we pay upon termination? So, that was new this past fiscal year. The next one on the top of page 44 was GASB 102, for certain risk disclosures. This one didn't really have an impact on the City. This is for certain risk disclosures. So, for example, if you have a major taxpayer that moves out of the area, or if some sort of major event happens in your community, that is going to significantly impact your Financial Statements. I don't think I had anyone in Nevada, that this really had a large impact on. Note 2, on page 44, is your compliance with Nevada Revised Statute. You had several items that we reported. These are probably very common across Nevada, I see these a lot. The first one is a physical inventory of your capital assets. I think I had this more in the last year than I have in a long time. State Statute requires every 2 years that you take a physical inventory of your capital assets. That just hasn't been performed by the City since fiscal year 2022. So, like I said, this is a common one that I know kind of gets away from us, it just didn't get completed this last fiscal year. The next one is also a common one, that I have across my Nevada local governments, where, if you have a deficit cash balance in one fund, that basically means another fund is loaning it money. Under Nevada Revised Statute, every year you should be doing interfund loans to approve when you have a deficit cash balance, and to annually approve those loans, going forward. You had one loan from the General Fund to the Airport Fund, that was new this last fiscal year. The Airport Fund had a deficit cash balance of about \$668,000, and no interfund loan was approved. This was created because of grant funds. You had grant funds that weren't received as quickly as you probably would have liked. The project was continuing on and created a deficit, and you just didn't go in and do that interfund loan at the end of the year. You had two loans that were from the previous fiscal year, from the Landfill Fund to the Water Fund for \$600,000, and to the Sewer Fund for \$400,000. You had the interfund loan back in FY24, and it just wasn't renewed for FY25. So, that unfortunately, is statute non-compliance. The very last one that we reported is when you have a deficit in a fund. You have to record that as a statute violation. So, because you didn't get those grant funds as timely as you had anticipated, it did create a deficit in that fund of about \$108,000, that was reported. So, like I said, common. I see these across Nevada all the time. I was really happy to see that you had no budget non-compliance. So, you did a great job of making sure you monitored your budget and kept it in compliance for the whole year. Great job there. We are going to go to page 74. So, on page 73 and 74, is the start of your General Fund. When governmental Financial Statements are put together the focus is on major funds. The General Fund is always a major fund, and the other funds we look at different materiality factors that go into the major fund. So, that is the focus when we put these Financial

Statements together. The top of page 73, and the bottom of page 74, are your revenues in the General Fund. At the end of 2025, you had about 13.8 million dollars in revenues. That was a little bit less than the previous fiscal year. The previous fiscal year was 14.3 million dollars. Most of this was grant fund driven. When your revenues kind of go up and down, it is usually your grants that you receive and the big change would have been in FY24, where you had a 1.8-million-dollar Regional Street Fund. Basically, it was a donation that you received, and this year it was only \$910,000. So, that was your larger swing, this last fiscal year. Most of your other revenues remained fairly consistent. Your tax rate remained the same and your CTX was about 2.6 million dollars this year, it was about 2.5 million dollars in the previous fiscal year. So, I was glad to see that it was a little higher. I know CTX kind of got a little weird this year with the way that the State paid out those CTX dollars, but at least yours inched up a little bit. We are going to go to page 77. At the bottom of page 77 is the last page of your General Fund. Your expenditure on the General Fund was 16.8 million dollars this last fiscal year. The prior year, it was also about 16.8 million dollars. You ended the year with a 7.5 million dollar ending fund balance, that is up 2.5 million dollars from the previous fiscal year. You have probably heard me, over the years, say that you don't want to see your end fund balance fall below 8.3% of expenditure. 8.3% is 1 divided by 12. You always want to make sure that you have enough cash to have one month's end fund balance, to maintain operations until your revenues start to be generated again for the next fiscal year. Out of your 7.5-million-dollar fund balance, a portion of that, is restricted funds for those unspent bond proceeds. So, you are about 18% of expenditures, and in fiscal year 2024 you were about 18% of expenditures as well. So, you have about 2 months of cash in your ending fund balance. You had about a 2% COLA increase. Going into 25-26, I always like to bring up PERS. We got a big increase in PERS this last fiscal year that everyone is working into their budgets. Just continue to watch that and look at those other opportunities to bring in additional revenue sources. Revenues are kind of remaining flat, but your expenses are going up, so keep watching that. On Page 79 is your Airport Fund. The Airport Fund became a major fund this year because of the Airport Grant. In governmental accounting, if you don't receive grant funds within 60 days of the fiscal year end, they are not reported in the fund as revenue. They are deferred, basically, and on the balance sheet as unavailable revenue. So, what created the deficit in that Airport Fund is that Airport Grant because it was received beyond 60 days of the year end. I think you received the funds in October.

City Clerk Treasurer Michael O'Neill confirmed the funds were received in October.

Teri Gage stated if we would have received these funds in August, we wouldn't have had a deficit ending fund balance. I would say, as of today, you probably don't have a deficit ending fund balance. It was just the way we had to report those grant funds. You had the expense hit the fund but the revenue, unfortunately, won't hit the fund until 25-26. So, that was the reason for that deficit in the Airport Fund. Now, we are going to jump to page 96. So, this is the beginning of your Utility Funds. Remember, Utility Funds are full accrual, so you are going to have depreciation recorded in these funds. These funds are meant to be run like a business where the ratepayers should be paying all the operating costs of those funds. Beginning on page 96 is your Electric Fund. You ended the year with a net position of about 6 million dollars in the Electric Fund. That is up about \$430,000 from the previous fiscal year. Cash increased about \$128,000. I am always glad to see this because that means your funding depreciation for future projects. I think the last rate increase that I had written down was July 2023.

City Clerk Treasurer Michael O'Neill stated that it increases July 1<sup>st</sup>, of every year based on CPI.

Teri Gage stated that funds are doing well. I am glad to see that you continually increase

the cash in that fund. The next page is your Water Enterprise Fund; it ended the year with 6 million dollars in net position. The net change in it was a negative \$131,000. However, you did generate cash. You had about \$323,000, in cash, that was generated in that fund. Most of that was probably because of your debt proceeds for those unspent portions of the bonds. I would continue to monitor all these funds, every year. I like to see where you have a low CPI increase each year to try to keep up with those cost increases. Just watch them when you are doing the budget process. Page 98 is your Sewer Enterprise Fund. It ended the year with about 11.8 million dollars in net position, which was an increase of \$274,000, and your cash increased 1.9 million dollars in that fund. 1.3 of the 1.9 million dollars was unspent bond proceeds. I have on that one, the rate increase was set July 1<sup>st</sup>. Page 99 is the Water Treatment Enterprise Fund. It ended the year with 13.1 million dollars in net position. It went down about \$414,000 and cash decreased about \$173,000. So, that one didn't fully fund depreciation. So, just keep monitoring those costs in that particular fund. The next page is your Sanitation Fund. It ended the year with \$884,000 in net position, which was an increase of \$244,000. The rate increase was July 1<sup>st</sup>, 2024. Cash in this fund decreased \$36,000. So, it is about breaking even there, and I was glad to see that. Page 101 is the Landfill Fund. It ended the year with 2.7 million dollars in net position and cash decreased \$360,000 in this fund. You had some large pieces of equipment that you have been buying, and your depreciation has increased with those large pieces of equipment. So, continue to monitor this in your budget process. On page 146 is your Schedule for Federal Awards. You had about 1.3 million dollars in federal funds that you spent this past fiscal year. The main portion of that was your project at the Airport. That was about 1.3 million dollars. So, we did have a single audit this year. Single audits are required if your expenditure exceeds \$750,000 in federal funds. In FY26 that number goes up to a million dollars. So, if you don't have large capital projects, you won't be subject to a single audit, in most years. Hopefully, you keep having the Airport projects and the CDBG projects. Like I said, it does go up to a million dollars. Let's go to page 149. As part of the audit process, we look at your internal control system in place and see if we have journal entries that come about. As part of the audit process, we are required to show our schedule, findings, and questioned costs. You had 4 significant deficiencies this past year. No material weaknesses, so that is kudos that these only rose to a level of a significant deficiency. The first one is report preparation. I think that you have had this every year because you hire us, Eide Bailly, to prepare the Financial Statements. So, usually if there is a journal entry that doesn't rise to a level of a material journal entry, you would have this report preparation finding. We had one journal entry throughout the whole audit, so great job. That one was related to the debt proceeds and the gain from the refunding and amortizing of that. I think the accounting crew had the gain all isolated it is just that the amortization wasn't done. Not a journal entry that is common. It only happens when you have debt, but you still isolated the number and asked Eide Bailly to help with that number. So, great job to the accounting group for that being the only journal entry that came through the audit process. The next item is a housekeeping type item. Bank Reconciliation and Adjusting Journal Entries. They were performed all year with no issues in any of our testing. It is just part of your control system, having somebody other than the preparer review those bank reconciliations to ensure accuracy. We noted no problems with them. It is just a control system. Controls protect the staff and City, and a control you should have in place, to make sure someone other than the preparer is reviewing those. One other item on page 151 relates to employee benefit expenses. We had noted that there were some employee benefits that were paid in the current year that were not defined in your policy. We are recommending that you evaluate your policy to make sure that you try to account for those types of benefits that are paid out to ensure that you have a policy in place to pay those. The last item

relates to the single audit. We had one finding relating to reporting where an amount was incorrectly reported in the line items in the reports for expenditures was \$6,983. Unfortunately, in a compliance audit, whether it is a dollar or a million dollars, we have to report it. So, if it was material, it would have risen to a level of material weakness. This one clearly was not. Therefore, it is reported as a significant deficiency. The last item is the items that were included in this letter. This letter is a requirement that we have to provide you with those charged with governance relating to the audit. Most of the elements of this letter we walked through as we went through the Audit Report. We have to basically say the financials are yours. The only thing that is mine in the financials is that Independent Auditor's Report and our Schedule of Findings of Questioned Cost. We have to also talk about your significant estimates, which we did, and any journal entries that came as a result of the audit. I am more than happy to entertain any questions. I also wanted to thank the staff. A lot of time and effort goes into putting together this Audit Report. Thank you, Mike, Elsie, and your crew. We couldn't do it without them. We appreciate our relationship with the City of Fallon and all your hard work in putting this together.

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

No comments were noted.

Councilwoman Kent thanked the Mayor and Clerk's Office on the excellent job they are doing on the financials and maintaining the records and motioned to approve the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2025; seconded by Councilman Harmon and approved with a 3-0 vote by the Council.

**Consideration and possible approval and adoption of Resolution No. 26-02-01: A resolution authorizing a temporary interfund loan from the Landfill Enterprise Fund to the Sewer Enterprise Fund in the amount of Four Hundred Thousand Dollars (\$400,000.00), and other matters properly related thereto.**

City Clerk Treasurer Michael O'Neill stated the Sewer Enterprise Fund has limited cash resources for capital assets and infrastructure improvements. A utility rate increase was made July 1, 2025, based on the Consumer Price Index for all Urban Consumers – Pacific Cities and US City Average West (CPI) and an additional rate adjustment is scheduled on July 1, 2026. To properly authorize a temporary interfund loan, the Council must comply with NRS 354.6118 and NAC 354.290. The proposed Resolution, and the findings and determinations contained therein, satisfy those requirements. If approved, the proposed temporary interfund loan will be repaid in full within one (1) year after the date on which the loan is made and will bear no interest. This item on the agenda and the next two items relate to the items Teri mentioned, from the audit, where we did not properly authorize the loans at year end that were on the books between the Landfill/Water, Landfill/Sewer Fund, General Fund, and the Airport Fund. I just wanted to be sure that you are aware this is the corrective action.

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

Councilman Harmon inquired if this was just a renewal amount from the previous fiscal year, not a new loan.

City Clerk Treasurer Michael O'Neill stated he was correct. We are not transferring a new \$400,000 amount.

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

No further comments were noted.

Councilman Harmon motioned to approve and adopt Resolution No. 26-02-01: A resolution authorizing a temporary interfund loan from the Landfill Enterprise Fund to the Sewer Enterprise Fund in the amount of Four Hundred Thousand Dollars (\$400,000.00), and other matters properly related thereto; seconded by Councilwoman Kent and approved with a 3-0 vote by the Council.

**Consideration and possible approval and adoption of Resolution No. 26-02-02: A resolution authorizing a temporary interfund loan from the Landfill Enterprise Fund to the Water Enterprise Fund in the amount of Six Hundred Thousand Dollars (\$600,000.00), and other matters properly related thereto.**

City Clerk Treasurer Michael O'Neill stated the Water Enterprise Fund has limited cash resources for capital assets and infrastructure improvements. A utility rate increase was made July 1, 2025, based on the Consumer Price Index for all Urban Consumers – Pacific Cities and US City Average West (CPI) and an additional rate adjustment is scheduled on July 1, 2026. To properly authorize a temporary interfund loan, the Council must comply with NRS 354.6118 and NAC 354.290. The proposed Resolution, and the findings and determinations contained therein, satisfy those requirements. If approved, the proposed temporary interfund loan will be repaid in full within one (1) year after the date on which the loan is made and will bear no interest.

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

Councilman Harmon inquired if this was just a renewal from the previous fiscal year.

City Clerk Treasurer Michael O'Neill stated he was correct.

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

No comments were noted.

Councilwoman Kent motioned to approve and adopt Resolution No. 26-02-02: A resolution authorizing a temporary interfund loan from the Landfill Enterprise Fund to the Water Enterprise Fund in the amount of Six Hundred Thousand Dollars (\$600,000.00), and other matters properly related thereto; seconded by Councilwoman Frost and approved with a 3-0 vote by the Council.

**Consideration and possible approval and adoption of Resolution No. 26-02-03: A resolution authorizing a temporary interfund loan from the General Fund to the Airport Fund in the amount of Six Hundred Sixty-Eight Thousand, Six Hundred Fifty-Six Dollars (\$668,656.00), and other matters properly related thereto.**

City Clerk Treasurer Michael O'Neill stated the Airport Fund had limited cash resources for infrastructure improvements that were primarily funded by a reimbursement grant from the Federal Aviation Administration (FAA). A delay in receipt of this grant funding resulted in an interfund loan from the General Fund to the Airport fund on June 30, 2025. Grant funding was received from the FAA in October 2025 and the interfund loan was repaid. To properly authorize a temporary interfund loan, the Council must comply with NRS 354.6118 and NAC 354.290, which includes the provision that approval of interfund loans is made at a public meeting. This loan is a retro-type thing. The loan has been repaid and was repaid fairly quickly.

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

Council or the public.

No comments were noted.

Councilwoman Frost motioned to approve and adopt Resolution No. 26-02-03: A resolution authorizing a temporary interfund loan from the General Fund to the Airport Fund in the amount of Six Hundred Sixty-Eight Thousand, Six Hundred Fifty-Six Dollars (\$668,656.00), and other matters properly related thereto; seconded by Councilman Harmon 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.

Councilwoman Frost stated that she would like to reiterate Councilwoman Kent's remarks. I would like to thank everyone for their work on the audit. I know that it is a lot of work. Thank you for keeping track of our finances so well. I also would like to congratulate the Greenwave Girls' Basketball Team. They were State Champions in a very exciting game that they won on Saturday.

Mayor Tedford stated that it was awesome. Nicole is working with Brian Mello and Coach Kevin Wickware with planning a celebration, as well as for Carson Melendy's championship.

Councilwoman Kent thanked Teri with Eide Bailly on the care and thoroughness she also takes each year on our audit.

Councilman Harmon thanked the City Clerk's Office, Teri, and Eide Bailly for all the hard work they put into the audit. I know there was an extension done and I think the final product was very good. Thank you very much. I have one other announcement. My wife informed me, this morning, that we have a Councilperson's birthday today, I believe. Happy Birthday Kelly.

Mayor Tedford led in singing Happy Birthday to Councilwoman Frost.

Councilwoman Frost thanked everyone.

No further reports were noted.

### **Adjournment**

There being no further business to come before the Council, Mayor Tedford adjourned the meeting at 1:40 p.m.

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Mayor Ken Tedford

Attest: \_\_\_\_\_  
Michael O'Neill, City Clerk-Treasurer