

**MINUTES
CITY OF FALLON
55 West Williams Ave
Fallon, Nevada
January 9, 2023**

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
Councilwoman Kelly Frost
Councilwoman Karla Kent
Councilman Paul Harmon
Chief of Staff Bob Erickson
City Attorney Mike Mackedon
Deputy City Attorney Trent deBraga
Deputy City Attorney Sean Rowe
Public Works Director Brian Byrd
Deputy Public Works Ryan Swirczek
City Engineer Derek Zimney
Chief of Police Kris Alexander
Captain Ron Wenger
Captain John Riley
Deputy City Clerk-Treasurer Elsie Lee
Deputy City Clerk-Treasurer Michael O'Neill

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-Treasurer Sean Richardson 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 end June 30, 2022. (For Possible Action)

City Clerk Treasurer Sean Richardson stated that the City of Fallon is required to provide an annual audit of its Financial statements per NRS 354.624. The Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, is included in the agenda for possible approval. This audit is a cumulation of many hours by many individuals over an entire fiscal year. This is truly a total team effort. I'll start by thanking the audit committee which includes Councilwoman Karla Kent, City attorney Mike Mackedon, Deputy City Attorney Trent deBraga and Chief of Staff Bob Erickson. I want to recognize Deputy Clerk Treasurers, Elsie Lee and Michael O'Neill, who played an instrumental role in the audit. Special thanks to the rest of the Clerk Treasurer's staff for their part in the Financial process every day. In addition, I would like to recognize all the appointed Officials for leading their respective departments. The audit encompasses the entire City and each department plays a part. Finally, I would like to thank our Mayor and Council for their strong fiscal leadership and decision making during the past audit year. The City's audit was performed by Eide Bailly, lead by Teri Gage and Mary Cain. Eide Bailly has done the City audit for several years and have always provided a great deal of expertise and professionalism. It's always a pleasure working with them. Today, we have Mary Cain, who is the Senior Audit Manager to present our Financial report.

Mary Cain greeted the Council, introducing herself as a Senior Audit Manager of Eide Bailly. I have audited a lot of Financial statements for you. I also want to start out by thanking all the City staff for all of their time and effort. It takes a lot of time before we ever show up to audit, to get this information together. Sean and Michael and Elsie and the entire City Clerk Treasurer office must spend a lot of time getting the information together and they're going through every one of those millions of transactions that come through here to make sure that they are correct each year. And then we show up and they still have to do their daily jobs and answer all of our questions at the same time. They have always been great about doing that and very helpful and we love working with them, so I want to thank all of them for their help with this too. You should have a copy of the Financial Statement in front of you. The final issues are the bound ones. On page 5 has the GFOA (Government Finance Officers Association) Certificate of Excellence in Financial Reporting which was received for last years Financial statement and I am sure you will receive it again this year once Sean submits it to the GFOA. Page 8 starts our audit report, giving an opinion on the Financial statements. It is a modified opinion; we are basically saying that the Financial statements are materially correct. There is nothing in it that gives us any reason to think that they wouldn't be materially correct, which is the opinion you want, not that something is wrong. Starting on page 12, is managements discussion and analysis. This goes over the numbers and the Financial statement but puts it more into a narrative and more of an economic, historical context; things that have been going on with the City. This is put together by Sean and his staff. They spend time writing this and making sure all of it's accurate. It is very good information if you're looking for a summary and just a general idea of what's been going on and what happened during the year. The actual Financial statements start on page 23. The first one starting on 23 and 24 encompass everything for the City, both your business type activities with the utilities and all your government fund activities. Nothing unusual stands out too much with it, it's been doing pretty good. The total net position for the entire City is \$67 million, so that's what you oversee as the City Council, or are in charge of the governments of. I am then going to move to page 30 and page 31. One of the things that did happen this year is that we had to implement Governmental accounting standard boards, number 87, which encompasses leases. You now have to put, we no longer have operating leases where you just throw them out as

an expense. If they're non-cancelable, we have to put them on now, on the Financial statements as an asset. You will see there is a right-to-use lease asset now. Then on page 31, you will now see that you have lease liability. This has to be calculated and Sean and Michael spent the time going through that and figuring out what those calculations were for us to audit. It was determined that it was material enough to put them on there for the electric fund, for the lease that you have through them and I believe it is the CC Communications Tower. We also did it for your Governmental activities and it was determined that that was not material enough to put on, so that was passed on. I will go over, exactly, what those numbers are in the letter that you were provided. This is new information, new this year. There is note disclosures to the Financial statements that also discuss that we implemented this and this is what the effect of it was. Then on page 44, is where we talk about compliance with NRS. Last year, there was a possible NRS violation for the capital asset inventory not being done. That has now been done and been brought up to date, so that is no longer an issue. Also, last year, there was, where the electric fund and landfill fund were over budget. There were no instances of being over budget this year, so no possible NRS violations were noted during our audit. That is a great achievement to Sean and Michael and his staff for watching that and getting that up to date. And then, your biggest fund, that has expenditures and revenue is the general fund, which is where most of your expenditures and revenue run through that, as you know. It starts on page 70, there is a budgetary comparison on that, so you can see it. Probably, one of the biggest things this year is there is that one \$1.8 million dollars in ARPA funding that came through that to offset some of the expenses. Your total revenues were up \$3.8 million and a lot of that was that ARPA funding, so you were able to get more revenue in. Page 73, you ended the year in your general fund with a \$5.6 million dollar balance. They normally recommend having in your general fund ending balance, at least 8.3% of the current years' expenditures. That would be one-months running, so you basically have a reserve. You actually have 44% of that years' expenditures sitting in end fund balance. You have been able to build up some with this additional funding. Having some reserve, as we've all learned in the last couple of years, unexpected things happen that you weren't planning on and didn't know how to plan for. You have been able to have some of that reserve and get that there. There're not many local governments, I think, that have been able to build up to a 44%, so that's quite an achievement for your City and staff to have been able to do that. Then we are going all the way to the back to the thing that we all love to talk about, the findings. They start on page 148. Just as we had last year, we have the report preparation finding. The only difference with that this year is that we did have one audit adjustment this year. There was an expenditure for \$27,000.00 that did not get accrued back so we had to make an adjustment to increase expenditures in FY22 and increase the accounts payable, as of June 30, 2022. That was the only audit adjustment we made. Out of everything we looked, and all the hours we spent, and for all the millions of transactions that go through this City, that is the only thing we could find. That is quite an accomplishment for as much as they go through and deal with. We did perform the compliance audit, the single audit this year, over the ARPA funding, and there was a finding. The only thing is, that when there is a report that must go to the Federal Government, and we noted during review of that report, that there were, what we call, vendor expenditures. The City paid a vendor directly for a service and it was actually reported as a sub-award. The expenses themselves were reported correctly, it was on the wrong line item. Does anybody have any questions about either one of the findings or anything else in the Financial statements that you have seen?

No comments were noted.

Mary Cain continued saying that you should also have a letter in front of you. This is

directly from us, the auditors. This contains everything that we were required by auditing standards to make sure that we communicated with you, that has gone on throughout the audit. I am just going to hit some of the highlights of it. The first couple of pages just go through our responsibilities; new this year, there is the significant risks that we identified. Most of them are general revenue recognition; that is a risk for everyone. It is just from an audit perspective, a high-risk area. Your significant estimates, such as your landfill and OPEB, once again, it is an estimate. It is not like we have a definite firm answer for it, so that, from an audit perspective is little bit more risk. Then the implementation of 87, which is the lease standard. The fourth page goes over the uncorrected and corrected misstatements. We already went over the one corrected misstatement for the expenditures that needed to go back. We did note a couple things when we were going through the audit that we discussed with Sean and his staff and the auditors determined that they were not significant enough to warrant having to make an adjustment for. We do want to let the staff and you know what they were so that they can be looked at, and they don't become significant enough to be an issue going forward. It appears that the Washoe County Crime Lab did not actually send you a bill on time and then it didn't get accrued back for \$69,000.00. You have FY2021 expenses in 2022. Then, in the general fund for the secured freight yard, there were about \$13,000.00 in revenue that didn't get back into 2021, it is sitting in 2022. C and D are both fair value adjustments for the general fund and the electric fund. The local government investments pool does send a notification out to everybody, because theirs, they have it where you have a dollar in there, you have a share. Well, the fair market value of it may actually be more or less and we determined that when we did that calculation, the adjustment, if it had gone down, would have been an additional gain on the investment of \$25,000.00 in the general fund and \$21,000.00 in the electric fund. But once again, not significant enough to warrant and adjustment to be made to that. Then, E is where we passed on making the adjustment into the Governmental activities for the lease liability and right to use asset for any possible leases that should have been on there. That was about \$26,000.00 and your Governmental activities, well, that's nothing for them, it's very small, insignificant amount. We had no disagreements, which is always good, with the management. We do have a paragraph in here, you will note in the audit report, there is a paragraph in there, too, that states that we did implement 87 and just see certain notes that discuss exactly what the effects of that would have been. We had no other issues that needed to be brought up, in fact, I can't think of anything else that went on, that would have been an issue. As always, it is always to pleasure to work here at the City with all of the staff and Sean and the staff in the Clerk's office. I know that Sean and Michael spent a lot of time, especially towards the end here. They have read every word of this Financial Statement, because I know, because they were sending me questions in emails. That is good that they have that much interest in it and doing it in that much detail. I thank you for having us do your audit this year and we look forward to working with you every year. We really enjoy it. If you have any other questions, I am happy to take them on here.

Mayor Tedford inquired on the ending fund balance. I think that is money that we received, some of that, Sean if you help me, money we received for projects that we haven't yet done.

City Clerk Treasurer Richardson stated that during the audit fiscal year, we did receive \$5.8 million in ARPA funding and we used some of it and we committed to the fund balance, about \$4.5 million of it, know that there's going to be future projects come in. We did commit that fund balance, so it's not unrestricted. With that, I think that puts our unrestricted fund balance closer to what you were stating that one month buffer.

Mayor Tedford commented on funds that are taken out for projects. If you take out the

funds for projects that are planned, we are probably closer to the one month.

Mary Cain said that on page 26, there's the balance sheet Governmental Funds. If you go under the General Fund, down to fund balances, you will see what is non-spendable, what you can't spend, because they are a pre-paid balance. You have certain restricted grants, private donations that have come in, the rest are committed, such as the \$4.5 million for capital assets, Capital Projects, and various other things, leaving you an unassigned or unrestricted of \$1.1 million only. Yes, you would be closer to there. That would be what could be used for anything, the \$1.1 million, the rest of it must be used for the purpose for which it was restricted or committed for.

Mayor Tedford commented on projects Public Works Director Brian Byrd has planned. If you tell him we have that restricted for, it would get him a little nervous back there. Thank you, Mary. Very good. We appreciate all of your efforts and once again, you have done a very nice job. And please pass that along to Terry, if you would.

Mary Cain said she would pass that message along.

Mayor Tedford thanked the staff. Of course, I know that before you come, how hard it is on Sean and Elsie and Michael, and their staff. The audit committee does a great job. Then, when you all get here, it's double duty to get the audit done and I appreciate their efforts too, in getting through their end. I always appreciate your interview, or Terry's, of me. I thank everybody's effort in getting through this audit each year. I am glad to note that there were no disagreements with management as that isn't always the case. Thank you very much.

Mayor Tedford asked if there were any other Council questions or comments.

Councilwoman Kent commented on the audit committee. Sean mentioned that I am part of the audit committee and we went over these records in detail and I just want to reiterate your words, Mayor. Mary, we really appreciate your and Eide Bailly for taking such scrutiny on our books. Sean, and your team, for keeping well maintained records for the City of Fallon.

Councilwoman Kent motioned to approve the City of Fallon's Annual Comprehensive Financial Report for the year end June 30, 2022; 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. 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.

Mayor Tedford mentioned that one time a citizen took me to breakfast and had a long list of issues with the City, she wished that I would answer. I did, I answered all of them. One of her questions was that she thought the City should have an audit of our finances every year. I told her that NRS requires that there's an audit of the City's finances every year and she said that was good to know. You can tell how that breakfast went on all the other issues. I was very glad to be able to tell her that.

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 Ken Tedford

Attest: 

Sean C. Richardson, City Clerk-Treasurer