



AGENDA

CITY COUNCIL MEETING

55 West Williams Avenue Fallon, NV
February 20, 2024 at 9:00 AM

The Honorable City Council will meet in a regularly scheduled meeting on February 20, 2024 at 9:00 a.m. in the City Council Chambers, 55 West Williams Avenue, Fallon, Nevada.

Items on the agenda may be taken out of order. The Council may combine two or more agenda items for consideration. The Council may remove an item from the agenda or delay discussion relating to an item on the agenda at any time. Unless otherwise allowed by the City Council, public comments by an individual will be limited to three minutes.

1. Pledge of Allegiance to the Flag
2. Certification of Compliance with Posting Requirements
3. Public Comments
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. **(For discussion only)**
4. Consideration and possible approval of Council Meeting Minutes for January 26, 2024. **(For possible action)**
5. Approval of Warrants **(For possible action)**
 - A) Accounts Payable
 - B) Payroll
 - C) Customer Deposit
6. Consideration and possible approval of a Plan of correction to prevent the recurrence of statute and regulation violations as reported in Note 2 of the Annual Comprehensive Financial Report for the Year Ended June 30, 2023. **(For possible action)**

7. Consideration and possible approval and adoption of Resolution No. 24-03: A resolution regarding the intention to issue tax-exempt obligations and to reimburse the City from proceeds of such obligations for the costs incurred prior to issuance. **(For possible action)**
8. Public Comments **(For discussion only)**
9. Council and Staff Reports **(For discussion only)**
10. Executive Session **(Closed)**
 - Discuss Litigation Matters **(For discussion only)** (NRS 241 et.seq.)
 - Negotiations with Operating Engineers Local Union No. 3 **(For discussion only)**
 - Negotiations with Fallon Peace Officers Association **(For discussion only)**

This agenda has been posted on or before 9:00 a.m. on February 14, 2024 at City Hall, District Court Building, Churchill County Office Complex, Churchill County Public Library and posted to the City's website (<https://fallonnevada.gov>) and the State of Nevada public notice website (<https://notice.nv.gov/>). Members of the public may request the supporting material for this meeting by contacting Elsie M. Lee, Deputy City Clerk, City Clerk's Office, City Hall, 55 West Williams Avenue, Fallon, Nevada, 775-423-5104. The supporting material for this meeting is also available to the public on the City's website (<https://fallonnevada.gov>) and the State of Nevada public notice website (<https://notice.nv.gov/>).

/s/ Elsie M. Lee

NOTICE TO PERSONS WITH DISABILITIES: Reasonable effort will be made to assist and accommodate physically handicapped persons desiring to attend the meeting. Please call the City Clerk's Office at 775-423-5104 in advance so that arrangements may be conveniently made.

**MINUTES
CITY OF FALLON
55 West Williams Ave
Fallon, Nevada
January 26, 2024**

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 Karla Kent
Councilman Paul Harmon
Chief of Staff Bob Erickson
City Attorney Mike Mackedon
Deputy City Attorney Trent deBraga
Chief Ron Wenger
Captain John Riley
City Clerk Treasurer Sean Richardson
Deputy City Clerk Elsie Lee
Deputy City Clerk Michael O'Neill
Public Works Director Brian Byrd
Deputy Public Works Glen Radtke
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 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 Council Meeting Minutes for November 7, 2023, November 17, 2023, November 21, 2023, December 1, 2023, December 5, 2023, January 2, 2024, and January 16, 2024.

Councilman Harmon motioned to approve the Council Meeting Minutes for November 7, 2023, November 17, 2023, November 21, 2023, December 1, 2023, December 5, 2023, January 2, 2024, and January 16, 2024; seconded by Councilwoman Kent and approved with a 2-0 vote by the Council.

Consideration and possible approval of the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2023.

City Clerk Treasurer Sean Richardson stated 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, 2023, is included in the agenda for possible approval. This audit is a cumulation of many hours by many individuals over the 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 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, led by Teri Gage. Eide Bailly has done the City audit for several years and has always provided a great deal of expertise and professionalism. It's always a pleasure working with them. Today, we have Teri Gage, who is a partner with Eide Bailly to present our financial report.

Teri Gage addressed the Council. I also want to say kudos to all the staff. A lot of time and effort goes into preparing the Audit Report, it is a 150-page document, and a lot of effort goes into that. So, I thank all the staff, especially Sean, Michael, and Elsie, they make our jobs a lot easier, and we appreciate all their help. In front of you, there are two documents, one is the bound audit report, that we are going to review first, and the other document is a letter that we will go over towards the end. On page 8 of the audit report, this is the Independent Auditor's Report. I am very happy to say that the City of Fallon has what we call a clean audit opinion, it's the highest level that can be achieved. For an Audit Opinion it's an unmodified audit opinion, and we stated that your financial statements are fairly presented in all material respects, as of June 30th, 2023. This also includes your schedule of expenditures of federal awards. You did have a single audit; this fiscal year and this opinion encompasses the single audit as well. If you have questions, please stop me as we move along, and I am happy to entertain them as we go through certain pages. Okay, now we are going to jump to page 23 and 24. This is your Statement of Net Position. Very similar to a balance sheet, starting off with assets, less liabilities equals the City of Fallon's Net Position. You as the Council are responsible for about 71 million dollars in Net Position, for the City. A couple of the significant highlights I wanted to go over for this year, is cash and investments did go down 6.2 million dollars compared to the previous fiscal year. You had a lot of capital projects; you did a lot of stuff within the City and so we will kind of see that as we go throughout the Audit Report. For your Capital Asset Additions this fiscal year, you spent about 11.9 million dollars. Some of those significant projects were some of the FAA fundings at the Airport to relocate the runway and for some lighting, that was about \$500,000. You had the splash park and the pickle ball courts; those were about 1.5 million dollars. You had 3.1 million dollars in road projects. You had electric meter and transformer projects for about 1.1 million dollars. The Public Works building renovation was about 1.8

million dollars, and about 2 million dollars in sewer and water projects for the dewatering press and as you did the roadwork, you had a lot of water and sewer line replacements. Like I said, you had a lot of capital projects, you did a lot of things this year. Some of your significant estimates that are included in your financial statements, the statement in that position is, full accrual, as we get back into the funds, they're modified cash. So, when they are fully accrual, your debt and your capital assets that are on these front statements, we are not going to see those on the back statements. So, there is a little bit of an accounting difference in the way government statements are put together. So, in these front statements we have three liabilities that are estimates. Those are other post-employment benefits, net pension liability, and your landfill closure cost. So, these are all estimates provided by third parties, and they fluctuate each year based on market conditions and different costs that go into it. So, your OPEB liability, for the current year is about 2.1 million dollars, this is down from 2.3 million dollars in the previous fiscal year. Your net pension liability, that is your retirement, the PERS retirement system, your current year liability is 13.2 million dollars, which is up 12.2 million dollars, from the previous fiscal year. The PERS liability, and the OPEB liability, are both based on actuarial evaluations, and they are usually a year behind. So, both liabilities are based on June 2022 figures. For your net pension liability, you have a proportionate share of all the local governments in the State of Nevada, and your proportion is .11967%. So, with these liabilities that are recorded, you end up ending the year with a deficit, unrestricted net position of 6.4 million dollars. Many local governments once they book these types of liabilities in a deficit net position because you aren't going to fund these liabilities for years and years down the road. So, since they are so large it does create deficits. As we get back into your funds, you'll notice on a cash basis, you do not have a deficit net position. So, I just wanted to explain that. People see the negative number and they think, oh no, you know we have a deficit. It is because of these long-term liabilities that go out decades. Now, we are going to go to page 43 and 44, and then we will get into some of your other funds. On page 43 and 44, there are a couple of things I wanted to highlight – you did have one new accounting standard that you implemented this fiscal year. It was GASB statement #96 for Subscription Based Information Technology Arrangements, basically your software leases. Certain software leases that are over a year in duration, get recorded as a lease liability on your financial statements. So, the City did implement that standard this fiscal year. On page 44, this is note 2 to the financial statements, this is regarding any noncompliance with Nevada Revised Statutes, and you did have several over expenditures. So, basically what you budgeted and what you ended up spending, there was over expenditure. In your Convention & Tourism Authority Fund, you overspent that fund by \$208,000. In your Water Treatment Enterprise Fund, you overspent that fund by about \$126,000, and in the Public Works Internal Service Fund you overspent that fund by \$36,000. There were also 2 funds, the Electric Enterprise Fund and the Public Works Internal Service Fund, that with their cost, this fiscal year, you ended up having an Interfund Loan, so you had to borrow some cash, to help with those funds. When you have an Interfund Loan, that is supposed to be approved by the Council, and that wasn't approved by the Council. So, that is also a statute violation. I think Sean probably has a plan to submit to the State, I think you have 30 days to submit it to the State on these. Most entities do have over expenditure, you have a very large budget. Sometimes it is hard to monitor those and make sure that you've covered everything. These aren't unusual by any means, and I think that you probably have a plan to submit to the Council for that.

City Clerk Treasurer Sean Richardson confirmed Ms. Gage's statement. I have talked with Council and told them that within the next 30 days we would be having to send that out and I would be returning to the Council.

Teri Gage stated that was perfect. Now we are going to go to the bottom of page 72. So,

I guess beginning on page 68-72, this is your General Fund. So, this is the main operating fund of the City. So, basically where all your sales tax dollars, your property tax dollars, and then it shows all the different departments, your Public Works Department, your Public Safety Departments, your General Administration Departments. So, you ended the year with an ending fund balance, in the General Fund, of 3.6 million dollars. That is down about 2 million dollars from the previous fiscal year of 5.6 million dollars, but like I said, you had a lot of capital projects that you did this fiscal year. So, that was the main reason for the decrease. I do want to point out that you budgeted to end the year at \$952,000. So, you're actually 2.6 million dollars over what you had budgeted for. So, the current year revenues in the General Fund were about 17.8 million dollars. You budgeted for about 19.1 million dollars. The difference there was all your ARPA funding. You budgeted to spend more on ARPA in the General Fund and you ended up transferring those to your water and sewer fund. Your prior year revenue was 17.4 million. So, you are up about \$400,000 from the previous fiscal year. Like I said, your significant differences were those ARPA funds. Where you had ARPA funds, you spent about 3.8 million dollars in 2023, and that was up from 1.8 million dollars in 2022. Your current year expenses were 17.8 million dollars and you budgeted for 21 million dollars. Once again, that difference was those ARPA funds, where you ended up transferring those over to your water and sewer, to spend in those funds, and your prior year expenses were 12.9 million dollars. So, you spent about 5 million dollars more – street projects and Splashpark was those 5 million dollars. In the Public Accounting Arena for your ending fund balance, we never like to see that go below 8.3% of your expenditures. Everyone asks, where does that 8.3% come from? It is 1/12th. So, you never want your ending fund balance to fall below having enough cash in the bank to pay one month of expenditures, which is 8.3%. You are at 21%. So, you are still well above that 8.3%. 6/30/22 you were at 43%, but like I said, I think that you were saving up funds, and you had some larger capital projects, this last fiscal year so, it depleted some of those ending fund balances, but you are still well above where the State recommends that you be. You ended the year at 3.6 million dollars, which is 21% of your expenses. The other funds I am going to go over are your Proprietary Funds, so water, sewer, electric, and garbage. So, those begin on page 94. This is your Electric Fund, this is a very significant fund for the City, it also includes your Quality-of-Life Promotion type expenditures. So, you ended the year in the electric fund at 5.8 million dollars, in that position. This is down about 2 million dollars from the previous fiscal year, and you also spent 3.2 million dollars more in cash. So, you spent 3.2 million dollars more in cash than you brought in, in that fund. Once again, I think that you had large projects going on during the year, and your energy costs went up. So, your energy cost went up 1.2 million dollars, which is about a 17-18 percent increase. So, I would expect that we will continue to see those rise. So, that was the biggest difference there.

City Clerk Treasurer Sean Richardson agreed and stated that we did a rate adjustment last year that took effect late in the fiscal year. So, we are anticipating a full year, hopefully we will get this back into the black.

Teri Gage agreed. Your rate adjustment was in March, so you didn't get a full year.

City Clerk Treasurer Sean Richardson agreed and stated that it didn't go into effect until May.

Teri Gage confirmed. So, just continue to monitor this fund in your budget process, all of these funds. When you go through your budget process you should always monitor your utility funds, and make sure your rates stay in line with your costs as they continue to rise. Page 95, this is your Water Enterprise Fund. So, it ended the year, with ending that position of 6.1 million dollars, you saw an increase in this fund. It increased about 720,000 dollars, and cash went up in this fund about \$328,000. This fund, once again, you had a rate increase, March of

2023 is when you approved the rate increase, so I assume those didn't go into effect until May, so in 2023-2024 you will see a full year of rate increases that will continue to help this fund, and your expenses in this fund went up about \$222,000, compared to the previous fiscal year. Page 96 is your Sewer Enterprise Fund. This fund had an ending net position of 11.2 million dollars. You increased that net position by about 1.1 million dollars. For both the Water and Sewer Funds, you did bring in ARPA dollars, over a million dollars in each, to help with some of the projects. As you had those road projects, you had a lot of additional costs relating to those types of projects.

City Clerk Treasurer Sean Richardson stated that it was related to the infrastructure on Broadway and Sherman.

Teri Gage stated that once again this fund had a rate increase in March, that probably went into effect in May. So, you will see a full year of impact of that in 2023-2024. Page 97, this is your Water Treatment Enterprise Fund. It ended the year with 14.3 million dollars in net position, which decreased from the previous year by about \$647,000, and your cost went up in this fund by about \$329,000. So, this one you might want to watch in your rates, if you have rate increases, and continue to watch this fund. Sanitation Fund, page 98, it ended the year with \$595,000 in net position. It was an increase of about \$253,000 from the previous fiscal year and costs in this fund went up \$519,000. So, I think the main theme of this is costs are going up. So, like I said, just keep all of these in mind as you are going through your rates. The last one, page 99, is your Landfill Enterprise Fund. This ended the year with 1.4 million dollars, which was an increase of \$547,000, and costs in this fund went down \$34,000. Like I said, they were 1.2 million dollars versus 1.232 million dollars. So, comparable. Alright, we are almost done, we are going to jump to page 105. This is your Public Works Internal Service Fund. So, this year ended with a \$641,000 in ending fund balance. The prior year you had a deficit ending fund balance, so great job on getting that deficit reduced, but you transferred in 1.4 million dollars to help, and I think you had some costs relating to the Public Works Building Renovation, probably in this fund. Alright, page 144, we are on the tail end now. So, on page 144, this is your schedule of expenditures of federal awards. So, these are all your federal funds that come into the City. You spent 6.9 million dollars in federal funds. The prior year it was 6.1 million dollars. The majority of that was your ARPA-related funds, those COVID funds, that was 5.8 million dollars. You did have an unmodified opinion relating to this schedule expenditures of federal awards. Page 147. As part of the audit process, if we come up with any audit recommendations, we call them audit findings, we have put them in buckets. They are either a material weakness or a significant deficiency, based on materiality factors. First item, Eide Bailly prepares the financial statements for the City of Fallon. I think out of all my audit clients, I have one that prepares their own financial statements, and every one of our single clients because we prepare them, usually have either a significant deficiency or a material weakness because the auditors prepare them. In most cases, it is more cost efficient for the auditors to prepare them and most entities just accept that normal audit finding relating to that. We did not have any adjusting journal entries that came about as part of the audit. So, great job to all the staff. If we had any, we would be including that with this finding, and I think we had none. So, you are one of my only ones that have had none, so kudos. The next one, on page 148, and this is the last one, was relating to the single audit for the ARPA Funds. We did have one finding relating to reporting where the wrong number was put on the wrong line of the report. I think in the single audit world we have a materiality level, and it happened to be quite low, in this instance. And, because the wrong number was in the wrong line, we had to report this as a finding. In the whole scheme of things, it was a total number in that report. It was corrected in the next report, but we were still required, under the single audit compliance, to include that as

a finding. I don't think that it was of a significance that I would be overly concerned about. It had nothing to do with the question cost, that you spent money in the wrong place. It was just the wrong number, on the wrong line, in the reporting. So, that is it for the audit report. The last item is this letter. Most of the items in the letter, I just went through as we were reviewing this audit report. This letter is a required communication to the Council, where I have to discuss what my responsibility is for this audit report, and what your responsibility is. I will give you my opinions, but these financial statements are yours, basically. We need to discuss what your significant risks relating to the audit were. These are normal risks for every single one of our audit clients. They are management override of controls, improper revenue recognition, implementation of new accounting standards, we had GASB 96 for soft releases, significant estimates, so your OPEB, landfill estimate, and net pension liability. Federal Funds, so whenever we have a single audit, you have an increased risk of having Federal Funds. Improper capitalization, we want to make sure, as you have capital assets, you're properly depreciating them, and completeness of financial statement disclosures. And like I said, not one finding, in any of these, other than reporting for the ARPA, so great job there. We discussed our significant estimates already. We have to discuss corrected and uncorrected misstatements. Happy to say, we didn't have any, so great job there. We have to discuss any significant difficulties or issues with management, and I am really happy to say, I have never put that on any of my audit reports, so we had no issues there at all. That's it, that is all I have for you. I am happy to entertain any questions.

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

Councilman Harmon stated that he didn't have any questions. I spoke with Bob and Sean yesterday and that really helped me understand a lot of it. I really appreciate your efforts.

Mayor Tedford stated that he echoes Sean's earlier statements thanking all involved on our side. It is always easy working with you all and I appreciate it. Thank you very much. Any public questions or comments?

Councilwoman Kent thanked Sean for going through the financials in detail. Kudos to yourself and the Clerk's office for your hard work and thank you Eide Bailly.

No further comments were noted.

Councilwoman Kent motioned to approve the City of Fallon's Annual Comprehensive Financial Report for the year ended June 30, 2023; seconded by Councilman Harmon and approved with a 2-0 vote by the Council.

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

No further comments were noted.

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 9:27 a.m.

Mayor Tedford

Attest: _____
Sean C. Richardson, City Clerk-Treasurer

DRAFT



CITY OF FALLON

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: February 13, 2024

AGENDA DATE: February 20, 2024

TO: The Honorable City Council

FROM: Sean Richardson, City Clerk/Treasurer

AGENDA ITEM TITLE: Consideration and possible approval of a Plan of correction to prevent the recurrence of statute and regulation violations as reported in Note 2 of the Annual Comprehensive Financial Report for the Year Ended June 30, 2023. **(For possible action)**

TYPE OF ACTION REQUESTED:

- | | |
|--|-------------------------|
| Resolution | Ordinance |
| <input checked="" type="checkbox"/> Formal Action/Motion | Other – Discussion Only |

RECOMMENDED COUNCIL ACTION: Motion to approve the plan of correction to prevent the recurrence of statute and regulation violations as reported in Note 2 of the Annual Comprehensive Financial Report for the Year Ended June 30, 2023.

DISCUSSION: Pursuant to NRS 354.6245, the City shall advise the Department of Taxation what action has been taken to prevent recurrence of each violation of law or regulation or to correct each continuing violation. The enclosed memo to the Mayor and Council outlines the details of the plan of correction for the violations. If approved, this plan of correction will be forwarded to the Department of Taxation to comply with the statutory requirement.

FISCAL IMPACT: N/A

FUNDING SOURCE: N/A

PREPARED BY: Sean Richardson, City Clerk/Treasurer

Ken Tedford
MAYOR



Kelly Frost
Councilwoman

Karla Kent
Councilwoman

Paul Harmon
Councilman

MEMORANDUM

TO: Mayor and City Council
FROM: Sean Richardson, City Clerk/Treasurer
DATE: February 13, 2024
RE: Plan of correction for FY2023 ACFR

NRS 354.6245 states the governing body shall advise the Department of Taxation what action has been taken to prevent recurrence of each violation of law or regulation or to correct each continuing violation. The City's Annual Comprehensive Financial Report for the Year Ended June 30, 2023 lists violations under Note 2 of the Notes to the Financial Statement section. See the attached audit letter from the Department of Taxation dated 1/31/24.

The following lists the violation and the proposed plan of correction:

***Nevada Revised Statute 354.626** – During fiscal year 2023, the City had expenses in excess of the budgeted appropriations for the following funds: Convention Tourism Authority Fund, Water Treatment Enterprise Fund and Public Works Internal Service Fund.*

Plan of correction (Convention Tourism Authority Fund): The expenditures in this fund exceeded the budget and the transfers out came in less than the budget. Although the net of expenditures and other financing sources was slightly less than the budget, it was still a budget violation as the expenditure budget must be compared on its own. To prevent the recurrence of the budget violation, City staff will ensure to analyze the budget by function of expenditures and other financing sources individually.

Plan of correction (Water Treatment Enterprise Fund): The Water Treatment Fund over expended its approved appropriation mainly due to the significant increase in the other postemployment benefits (OPEB) liability. Each year, the City has a consultant update the actuarial valuation of the OPEB liability. The calculation is not completed until after the fiscal year end and can vary significantly based on numerous estimating factors including inflation, salary increases, discount rates, health insurance trends and investment returns. This past audit year showed a tremendous increase in the OPEB liability based on the most recent valuation. To prevent the recurrence of the budget violation, City staff will consider the greater than anticipated approach with their estimates regarding the OPEB liability moving forward.

Plan of correction (Public Works Internal Service Fund): The Public Works Internal Service Fund over expended its approved appropriation mainly due to the significant increase in the other postemployment benefits (OPEB) liability. Each year, the City has a consultant update the actuarial valuation of the OPEB liability. The calculation is not completed until after the fiscal year end and can vary significantly based on numerous estimating factors including inflation, salary increases, discount rates, health insurance trends and investment returns. This past audit year showed a tremendous increase in the OPEB liability based on the most recent valuation. To prevent the recurrence of the budget violation, City staff will consider the greater than anticipated approach with their estimates regarding the OPEB liability moving forward.



STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>
Call Center: (866) 962-3707

LAS VEGAS OFFICE
700 E. Warm Springs Rd, Suite 200
Las Vegas, Nevada 89119
Phone (702) 486-2300
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JOE LOMBARDO
Governor
GEORGE KELESIS
Chair, Nevada Tax Commission
SHELLIE HUGHES
Executive Director

CARSON CITY OFFICE
3850 Arrowhead Dr., 2nd Floor
Carson City, Nevada 89706
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Fax: (775) 684-2020

RENO OFFICE
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Reno, NV 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

January 31, 2024

Sean Richardson
City Clerk/Treasurer
City of Fallon
55 W. Williams Avenue
Fallon, Nevada 89406

Re: Annual Audit Report Fiscal Year 2022/23

Dear Mr. Richardson:

Pursuant to NRS 354.6245, the Department of Taxation is charged with the review of all annual audits to determine their compliance with statutes and/or regulations. The Department must also identify all violations of statute and/or regulations reported therein. Your audit meets the provisions required in NRS 354.624 and NRS 354.6241.

In our review of your audit, we identified a violation of NRS 354.626 that was noted by your auditor on page 44. The following have funds have an excess of expenditures over Budgeted Appropriations:

Convention Tourism Authority Fund, Community Support Function	\$208,805
Water Treatment Enterprise Fund, Water Treatment Function	\$126,382
Public Works Internal Service Fund, Public Works Function	\$ 36,344

Within 60 days after delivery of the annual audit to the local government, the governing body shall advise the department what action has been taken to prevent recurrence of violation of law or regulation and to correct each continuing violation.

If you should have any questions, please contact me at (775) 684-2065 or e-mail me at kgrahmann@tax.state.nv.us.

Sincerely,

Kellie Graham
Budget Analyst II
Local Government Finance



CITY OF FALLON

REQUEST FOR COUNCIL ACTION

DATE SUBMITTED: February 13, 2024

AGENDA DATE: February 20, 2024

TO: The Honorable City Council

FROM: Sean Richardson, City Clerk/Treasurer

AGENDA ITEM TITLE: Consideration and possible approval and adoption of Resolution No. 24-03: A resolution regarding the intention to issue tax-exempt obligations and to reimburse the City from proceeds of such obligations for the costs incurred prior to issuance. **(For possible action)**

TYPE OF ACTION REQUESTED:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Ordinance |
| <input type="checkbox"/> Formal Action/Motion | <input type="checkbox"/> Other – Discussion Only |

RECOMMENDED COUNCIL ACTION: Motion to approve and adopt Resolution 24-02 A resolution regarding the intention to issue tax-exempt obligations and to reimburse the City from proceeds of such obligations for the costs incurred prior to issuance.

DISCUSSION: The City previously adopted Resolution 24-01 approving its plan to issue medium-term obligations in an amount not to exceed Ten Million Dollars (\$10,000,000.00) to finance all or the portion of the cost of water projects, sewer projects, airport projects, street improvements, park improvements and City Hall upgrades. Resolution 24-01 was subsequently approved by the Nevada Department of Taxation. Adoption of Resolution 24-03 will allow the City to recoup Project costs incurred before issuance of the obligations. Further Council approval will be sought prior to the issuance of financial obligations.

FISCAL IMPACT: No additional fiscal impact.

FUNDING SOURCE: n/a

PREPARED BY: Sean Richardson, Clerk, and Sean Rowe, Deputy City Attorney

Summary - a resolution regarding the intention to issue tax-exempt obligations and to reimburse the City from proceeds of such obligations for costs incurred prior to issuance.

RESOLUTION NO. 24-03

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FALLON REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT OBLIGATIONS AND TO REIMBURSE THE CITY FROM PROCEEDS OF SUCH OBLIGATIONS FOR COSTS INCURRED PRIOR TO ISSUANCE.

WHEREAS, the City Council of the City of Fallon (the “Issuer”) desires to finance the costs of acquiring certain public facilities and improvements, as provided in Appendix A attached hereto and incorporated herein (the “Project”);

WHEREAS, the Issuer intends to finance the acquisition of the Project or portions of the Project with the proceeds of the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the “Obligations”); and

WHEREAS, prior to the issuance of the Obligations, the Issuer desires to incur certain expenditures with respect to the Project from available monies of the Issuer which expenditures are desired to be reimbursed by the Issuer from a portion of the proceeds of the sale of the Obligations.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FALLON, NEVADA:

Section 1. The Issuer hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Obligations with proceeds of the Obligations. Appendix A describes either the general character, type, purpose, and function of the Project, or the fund or account from which Project costs are to be paid and the general functional purpose of the fund or account.

Section 2. The reasonably expected maximum principal amount of the Obligations is \$10,000,000 with respect to the public projects described in Appendix A hereto.

Section 3. This resolution is being adopted on or prior to the date (the “Expenditures Date or Dates”) that the Issuer will expend monies for the portion of the Project costs to be reimbursed from proceeds of the Obligations.

Section 4. Except as described below, the expected date of issue of the Obligations will be within eighteen months of the later of the Expenditure Date or Dates and the date the Project is placed in service; provided, the reimbursement may not be made more than three years after the original expenditure is paid. For Obligations subject to the small issuer exception of Section 148(f)(4)(D) of the Internal Revenue Code, the “eighteen-month limit” of the previous sentence is changed to “three years” and the limitation of the previous sentence beginning with “; provided, . . .” is not applicable.

Section 5. Proceeds of the Obligations to be used to reimburse for Project costs are not expected to be used within one year of reimbursement, directly or indirectly to pay debt service

with respect to any obligation (other than to pay current debt service coming due within the next succeeding one year period on any tax-exempt obligation of the Issuer (other than the Obligations)) or to be held as a reasonably required reserve or replacement fund with respect to an obligation of the Issuer or any entity related in any manner to the Issuer, or to reimburse any expenditure that was originally paid with the proceeds of any obligation, or to replace funds that are or will be used in such manner.

Section 6. This resolution is consistent with the budgetary and financial circumstances of the Issuer, as of the date hereof. No monies from sources other than the Obligation issue are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the Issuer (or any related party) pursuant to their budget or financial policies with respect to the Project costs. To the best of our knowledge, this City Council is not aware of the previous adoption of official intents by the Issuer that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

Section 7. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the Obligations, or (c) any preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the Obligations that finances the Project for which the preliminary expenditures were incurred.

Section 8. This resolution is adopted as official action of the Issuer in order to comply with Treasury Regulation § 1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of Issuer expenditures incurred prior to the date of issue of the Obligations, is part of the Issuer's official proceedings, and will be available for inspection by the general public at the main administrative office of the Issuer.

Section 9. All the recitals in this Resolution are true and correct and this City Council so finds, determines and represents.

PASSED AND ADOPTED AND APPROVED BY AN AFFIRMATIVE VOTE OF A MAJORITY OF THE MEMBERS OF THE CITY COUNCIL OF THE CITY OF FALLON, NEVADA, THIS FEBRUARY 20, 2024.

(SEAL)

Mayor

Attest:

City Clerk

Approved as to Form:

By: _____
City Attorney

APPENDIX A
DESCRIPTION OF PROJECT

Financing all or a portion of the cost of water projects, sewer projects, airport projects, street improvements, park improvements, and City Hall upgrades

STATE OF NEVADA)
) ss.
COUNTY OF CHURCHILL)

I, Sean Richardson, the duly chosen and qualified City Clerk of the City of Fallon (the “City”), in the State of Nevada, do hereby certify:

1. The foregoing pages constitute a true, correct, complete and compared copy of a resolution adopted by the City Council of the City (the “Council”) at a meeting held on February 20, 2024.

2. The adoption of the resolution was duly moved and seconded and the resolution was adopted by an affirmative vote of a majority of the members of Council as follows:

Those Voting Aye:

Those Voting Nay:

Those Absent:

3. The members of the Council voted on the final passage of the ordinance as set forth following the resolution.

4. All members of the Council were given due and proper notice of the meeting held on February 20, 2024.

5. Public notice of such meeting was given and such meeting was held and conducted in full compliance with the provisions of NRS 241.020.

6. Prior to 9:00 a.m. at least 3 working days before such meeting, such notice was mailed to each person, if any, who has requested notices of meetings of the Council in compliance with NRS 241.020(3)(b) by United States Mail, or if feasible and agreed to by the requestor, by electronic mail.

6. A copy of such notice so given of the meeting of the Council on February 20, 2024 is attached to this certificate as Exhibit “A.”

IN WITNESS WHEREOF, I have hereunto set my hand on this February 20, 2024.

(SEAL)

City Clerk/Treasurer

EXHIBIT "A"
(Attach Copy of Notice of Meeting)



STATE OF NEVADA
DEPARTMENT OF TAXATION

Web Site: <https://tax.nv.gov>
Call Center: (866) 962-3707

LAS VEGAS OFFICE
700 E. Warm Springs Rd, Suite 200
Las Vegas, Nevada 89119
Phone (702) 486-2300
Fax (702) 486-2373

JOE LOMBARDO
Governor
GEORGE KELESIS
Chair, Nevada Tax Commission
SHELLIE HUGHES
Executive Director

CARSON CITY OFFICE
3850 Arrowhead Drive, 2nd Floor
Carson City, Nevada 89706
Phone: (775) 684-2000
Fax: (775) 684-2020

RENO OFFICE
4600 Kietzke Lane, Suite L235
Reno, NV 89502
Phone: (775) 687-9999
Fax: (775) 688-1303

January 11, 2024

Mr. Sean Richardson
City Clerk Treasurer
City of Fallon
55 West Williams Avenue
Fallon, NV 89406

Re: City of Fallon
Request for Approval - Medium-Term Obligation (G.O. Bonds)
Financing various capital projects including water, sewer, airport, street and park improvements and City Hall upgrades.

Dear Mr. Richardson:

The Department of Taxation has received a request from the City of Fallon for the approval of a Medium-Term Obligation not to exceed \$10,000,000. This Medium-Term Obligation will be issued to finance various capital projects, including water, sewer, airport, street and park improvements, along with City Hall upgrades.

This Medium-Term Obligation is to be repaid from the operating revenues generated from the following funds:

Water Enterprise Fund	\$ 299,136
Sewer Enterprise Fund	356,114
Airport Enterprise Fund	156,690
General Fund	<u>612,516</u>
Total	\$ 1,424,456 (Maximum allowed annually)

The City proposes to borrow a sum not to exceed \$10,000,000 at an annual interest rate or rates not to exceed 5.50% and the term for this obligation is not to exceed ten (10) years after the date of execution. The interest rate shall not exceed by more than 3% percent the "Index of Twenty Bonds" most recently published in The Bond Buyer before bids are received or negotiated offer is accepted.

The request has been reviewed as required by NRS 350.089 and is APPROVED.

Pursuant to NRS 350.089, the approval must be recorded in the minutes of the governing board at its next meeting. Moreover, the financing must be secured within eighteen months of receipt of this approval.

If you have any questions regarding this matter, please contact Kellie Grahmann, Budget Analyst in the Local Government Finance Section at (775) 684-2065 or at kgrahmann@tax.state.nv.us.

Sincerely,

Shellie Hughes
Executive Director
Nevada Department of Taxation