

Comprehensive Annual Financial Report

City of Fernley, Nevada

For the Fiscal Year Ended
June 30, 2013

Prepared by:
Finance Department

**CITY OF FERNLEY, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

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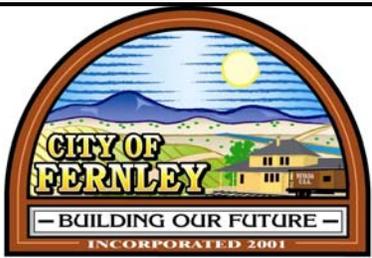
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City of Fernley
Finance
Department

Utility Billing
Accounting
Budgeting
Treasury

November 25, 2013

To the Honorable Mayor, Members of the City Council, and Residents of the City of Fernley Nevada:

The comprehensive annual financial report (CAFR) for the City of Fernley for the fiscal year ended June 30, 2013 is hereby submitted. State law requires that local governments provide for an annual audit by independent certified public accountants of its financial statements in accordance with auditing standards generally accepted in the United States of America.

This report consists of management's representations concerning the finances of the City of Fernley. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in the report. To provide a reasonable basis for making these representations, management of the City of Fernley has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Fernley's financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Fernley's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Fernley's financial statements have been audited by Kafoury, Armstrong & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Fernley for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Fernley's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This is the sixth consecutive year the City has required the single audit. Because the City of Fernley expended more than \$500,000 in federal financial assistance during the fiscal year ended June 30, 2013, the City of Fernley was required to have the federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Fernley’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Fernley incorporated in 2001 under the provisions of Nevada Revised Statutes (NRS) Chapter 266. Fernley is located in western Nevada, occupies a land area of 164 square miles and serves a population of 19,368 according to the United States Census taken in 2010. The City of Fernley is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Fernley operates under the Council/Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and five City Council members. The City Council is responsible, among other things, for establishing policy, passing ordinances, adopting the budget, appointing committees, and establishing the organizational structure of the City. Pursuant to NRS the Mayor is the Chief Executive Officer of the City. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for supervising the heads of various departments. The City Manager is the Chief Administrative Officer of the City. The City Council members are elected by Ward to serve four year staggered terms. The Mayor is elected citywide to serve a four-year term.

The City of Fernley provides a wide range of services, including construction and maintenance of streets and infrastructure; water and sewer services; recreational activities and events; vector and animal control; community development services and general administrative services. The City of Fernley contracts with the Lyon County Sheriff for law enforcement services. The City contracts with Lyon County for animal shelter services. Fire protection services are provided through the legally separate North Lyon County Fire Protection District. The Fernley Swimming Pool District owns and operates a swimming

pool in Fernley. Lyon County and the Lyon County School District also provide regional services in Fernley.

The annual budget serves as the foundation for the City of Fernley's financial planning and control. All departments of the City of Fernley are required to submit requests for appropriation to the City Manager in January of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review and a series of City Council workshops are held to discuss the budget. The City Council is required to hold a public hearing on the proposed budget and adopt a final budget by no later than June 1 of each year. The appropriated budget is a policy document prepared by fund, function, and department. Department heads may make transfers of appropriations within a department and with the consent of the City Manager appropriations may be transferred between departments. Budget-to actual comparisons are provided in this report for each individual governmental fund for which an appropriated budget has been adopted.

Factors Affecting Financial Condition and Outlook

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Fernley operates.

Local Economy

The City of Fernley is the largest city in rural Nevada and the 6th largest in the State of Nevada. Fernley is 35% of the current population in Lyon County with a Median Age of 34.8, reflecting a younger work force in comparison with other Nevada cities. Fernley is within a 600-mile, one-day service radius of major western cities such as Los Angeles, San Francisco, Portland, and Las Vegas, and benefits from a varied manufacturing, and industrial base that adds to the relative stability of employment. Major employers within the City's boundaries include Amazon, Trex, Honeywell, MSC, World Color Printing, and Sherwin-Williams.

Firms seeking a business friendly environment turn to Fernley, due in part to its proximity to Interstate 80, rail service, U.S. 50A, U.S. 95A and the Reno-Tahoe International Airport. The City of Fernley and its economic development partners are aggressive in recruiting new businesses, and retaining existing ones. Elected officials and staff work with these partners and institutions of higher education to identify and market Fernley to potential investors.

Long-term financial planning

The City of Fernley has many long range plans. These plans include the following:

- Development of a convention center
- Continuing to invest in technology to enhance service delivery to customers
- Improving streets and storm drains
- Improving parks and recreational facilities
- Improving City security
- Streamlining agenda processes
- Enhancing records management policies and developing records management systems
- Analyzing and financing the operation and maintenance costs of expanded services

Management of the City of Fernley annually updates the Capital Improvement Plan required by state statute and continues to prepare the necessary facilities plans for ultimate development of a more comprehensive Capital Improvement Plan.

Relevant Financial Policies

Cash Management Policies and Practices: Cash temporarily idle during the year was invested in the Local Government Pooled Long-Term Investment Account (NVEST) and the Nevada Local Government Investment Pool (LGIP).

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's bank deposits are covered by FDIC insurance and collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

Risk Management: As authorized by state law, the City does not self-insure its unemployment insurance benefits but participates in the State unemployment system. The City participates in the Nevada Public Agency Insurance Pool for risk of loss related to torts, property damage/loss, errors and omissions, and natural disasters. The City participates in the Public Agency Compensation Trust for workers' compensation coverage. The City provides employee health and dental insurance through the Nevada Public Employees Benefits Program. Management believes such coverage is sufficient to preclude any significant losses to the City.

Pension Information: The City contributes to the Public Employees' Retirement System of Nevada ("PERS"), a cost sharing multiple-employer pension plan administered by the Retirement Board of PERS. The City has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payments to PERS. Additional information regarding the City of Fernley's defined benefits plan can be found in the notes to the financial statements.

Appreciation and Acknowledgements:

City of Fernley
Finance Department

Appreciation and Acknowledgements:

The preparation of this report could not have been accomplished without the professional, efficient and dedicated staff of the Finance Department. Our auditors, Kafoury, Armstrong & Co. provided the expert support and guidance that made the preparation of this report possible. We would also like to express our thanks to the department heads and employees of the City of Fernley, and the citizens of Fernley whose continued cooperation, support, and assistance have contributed greatly to the financial stability of the City of Fernley.

The management of the City of Fernley would like to acknowledge the efforts of the City's Finance Department and Kafoury, Armstrong & Co. for their effort and dedication in producing this document.

Respectfully submitted,

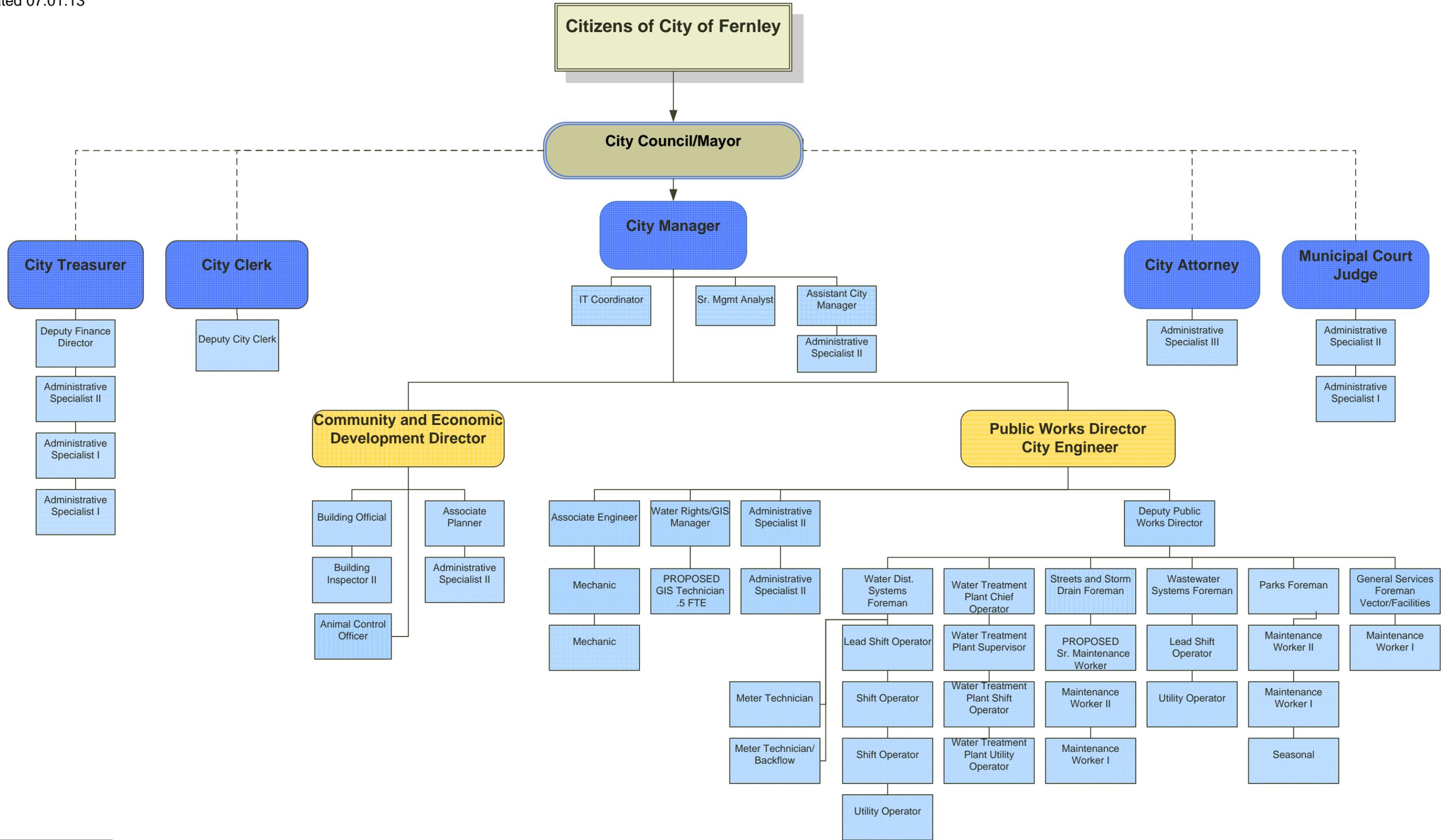


Christopher Good
City Manager

Respectfully submitted,



Denise Lewis
City Treasurer
Finance Director



Statutory positions and City Manager (contract)
Directors
City Staff

**CITY OF FERNLEY, NEVADA
LIST OF PRINCIPAL OFFICIALS**

City Council

Mayor	Leroy Goodman
Council Member Ward 1	Kelly Malloy
Council Member Ward 2	Dan McCassie
Council Member Ward 3	Roy Edgington
Council Member Ward 4	Susan Seidl
Council Member Ward 5	Cal Eilrich

The Fernley City Council meets in regular session the first and third Wednesday of the month in the Council chambers in City Hall located at 595 Silver Lace Boulevard, Fernley, Nevada.

Staff

City Manager	Christopher Good
City Attorney	Brandi Jensen
City Treasurer	Denise Lewis
Municipal Court Judge	Lori Matheus
City Clerk	Kim Swanson
Building Official	James Ball
Community Development Director	Mojra Hauenstein
City Engineer	Shari Whalen



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Fernley, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fernley, Nevada, (the "City") as of and for the year ended June 30, 2013, and the notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fernley, Nevada, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4A through 4M, the budgetary comparison information on pages 38-42 and the schedule of funding progress-other postemployment benefit plans on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedule of funding progress-other postemployment benefit plans in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information and related notes on page 44 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information and related notes are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other schedules, and statistical section, are presented for purposes of additional analysis and are not a required

part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Kafoury, Armstrong & Co." The signature is written in a cursive, flowing style.

Fallon, Nevada
November 25, 2013

Management's Discussion and Analysis

As management of the City of Fernley (City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial performance during the fiscal year ended June 30, 2013. This report provides financial information on the City as a whole and by fund. We encourage readers to consider the information presented here in conjunction with the City's letter of transmittal and the financial statements, which follow this section.

Financial Highlights

- The City's total net position was \$142,852,504 at June 30, 2013
- The City's total expenses were \$18,402,383 at June 30, 2013
- Business-Type Activities revenue:
 - Water: \$8,647,286
 - Sewer: \$1,933,507
 - Interest: \$39,272
- Governmental Activities revenue: \$5,748,246
- The City's total revenue was \$16,368,311 at June 30, 2013

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) basic fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the differences between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Each of the government-wide financial statements identify the activities of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*)

and the activities that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judicial, public works, culture and recreation, community development and health functions. The business-type activities of the City include water and sewer functions.

The government-wide financial statements can be found on pages 5 through 6 of this report.

Basic fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Grants Fund, which are considered major funds. Data for the remaining, non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 through 10 of this report.

Proprietary funds. The City maintains two proprietary funds as *enterprise funds* to account for its potable water and sewer (wastewater) operations. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Proprietary Fund financial statements provide separate information for the water and sewer operations. The Water Fund and Sewer Fund are considered to be major funds of the City.

The basic Enterprise Fund financial statements can be found on pages 11 through 13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic Fiduciary Fund financial statements can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 37 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 45 through 60 of this report.

Government-wide Financial Analysis

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The statement of activities reports information about the City's activities in a way that will help answer this question. The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. These two statements report the net position of the City and the changes in them. However, considerations should also be given to other non-financial factors such as changes in economic conditions, population growth and new or changed governmental legislation. The following table represents a summary of the City's statement of net position.

City of Fernley's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>
Current Assets	\$4,523,405	\$4,548,978	\$14,364,428	\$13,213,147	\$18,887,833	\$17,762,125
Noncurrent Assets	43,511,451	44,775,626	163,135,459	167,158,105	206,646,910	211,933,731
Total Assets	<u>48,034,856</u>	<u>49,324,604</u>	<u>177,499,887</u>	<u>180,371,252</u>	<u>225,534,743</u>	<u>229,695,856</u>
Current Liabilities	569,188	1,262,300	4,059,954	4,093,036	4,629,142	5,355,336
Noncurrent Liabilities	4,161,018	4,159,135	73,892,079	75,668,632	78,053,097	79,827,767
Total liabilities	<u>4,730,206</u>	<u>5,421,435</u>	<u>77,952,033</u>	<u>79,761,668</u>	<u>82,682,239</u>	<u>85,183,103</u>
Net position:						
Net investment in capital assets	39,585,451	40,765,626	87,153,121	89,367,958	126,738,572	130,133,584
Restricted	579,648	568,412	-	-	579,648	568,412
Unrestricted	3,139,551	2,569,131	12,394,733	11,241,626	15,534,284	13,810,757
Total net position	<u>\$43,304,650</u>	<u>\$43,903,169</u>	<u>\$99,547,854</u>	<u>\$100,609,584</u>	<u>\$142,852,504</u>	<u>\$144,512,753</u>

The following table summarizes the change in net position for the current fiscal year:

	Governmental Activities		Business-Type Activities		Total	
	FY13	FY12	FY13	FY12	FY13	FY11
Revenues:						
Program revenues:						
Charges for services	\$1,571,102	\$1,553,522	\$10,201,326	\$8,229,728	\$11,772,958	\$9,738,250
Operating grants and contributions	113,124	466,388	-	97,966	113,124	564,354
Capital grants and contributions	1,385,242	4,925,916	33,044	8,134	1,418,286	4,934,050
General revenues:						
Property taxes	1,924,602	1,850,971	-	-	1,924,602	1,850,971
Consolidated taxes	132,962	131,372	-	-	132,962	131,372
Other shared revenues	397,244	371,056	-	-	397,444	371,056
Miscellaneous revenues	223,970	113,683	385,695	269,442	604,135	383,125
Total revenues	5,748,246	9,412,908	10,620,065	8,605,270	16,368,311	18,018,178
Expenses:						
General government	2,422,886	1,506,563	-	-	2,422,886	1,506,563
Judicial	215,504	213,314	-	-	215,504	213,314
Public works	1,100,290	1,759,630	-	-	1,100,290	1,759,630
Culture & recreation	1,126,357	743,911	-	-	1,126,357	743,911
Community development	1,591,456	2,673,503	-	-	1,591,456	2,673,503
Health	177,080	207,672	-	-	177,080	207,672
Water	-	-	9,284,992	9,334,311	9,284,992	9,334,311
Sewer	-	-	2,396,803	2,389,391	2,396,803	2,389,391
Interest and fiscal charges	87,015	194,402	-	-	87,015	194,402
Total expenses	6,720,588	7,298,995	11,681,795	11,723,702	18,402,383	19,022,697
Increase(decrease) in net position	(972,342)	2,113,913	(1,061,730)	(3,118,432)	(2,034,072)	(1,004,519)
Net position, July 1	44,276,992	41,789,256	100,609,584	103,728,016	144,886,576	145,517,272
Net position, June 30	\$43,304,650	\$43,903,169	\$99,547,854	\$100,609,584	\$142,852,504	\$144,512,753

While the statement of net position shows the financial position of the City, the statement of activities provides answers as to the nature and source of these changes. From a government-wide perspective and as reported in the statement of activities, the City's net position as compared to prior year decreased \$2,034,072 during the current fiscal year. The decrease is primarily attributable to a \$3.5M reduction in capital grants and contributions as compared to the prior year.

Governmental activities decreased the City's net position by \$972,342. *Business-type activities* decreased the City's net position by \$1,061,730. However, overall expenses decreased by \$620,314 and overall revenues (excluding capital grants and contributions) increased by \$1,865,897. The decrease in expenses can be attributed to interest savings due to the refinance of City Hall in the prior year and a decrease in community development expenses. The significant increase in revenues is due to the implementation of the new water bond fee during the fiscal year.

At the close of the current fiscal year, the City's total assets exceeded its total liabilities by \$142,852,504. The City has total positive working capital of \$14,258,691 or a ratio of 4:1, which represents strong short-term liquidity.

A large portion of the City's net position (88%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); net of any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$15,534,284) may be used to meet the government's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, the City is able to report positive balances in all three categories of net position, to include net investment in capital assets, restricted and unrestricted. The same situation held true for the prior fiscal year.

Fund Financial Analysis

Governmental Funds

The focus of the City's *governmental funds* is to provide information on the near-term inflows, outflows, and balances of *available* financial resources. Such information is useful in assessing the City's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

From a fund perspective, at the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,042,905, an increase of \$677,040 in comparison with the prior year. The increase is primarily the result of a decrease in capital outlay spending and prior period adjustments.

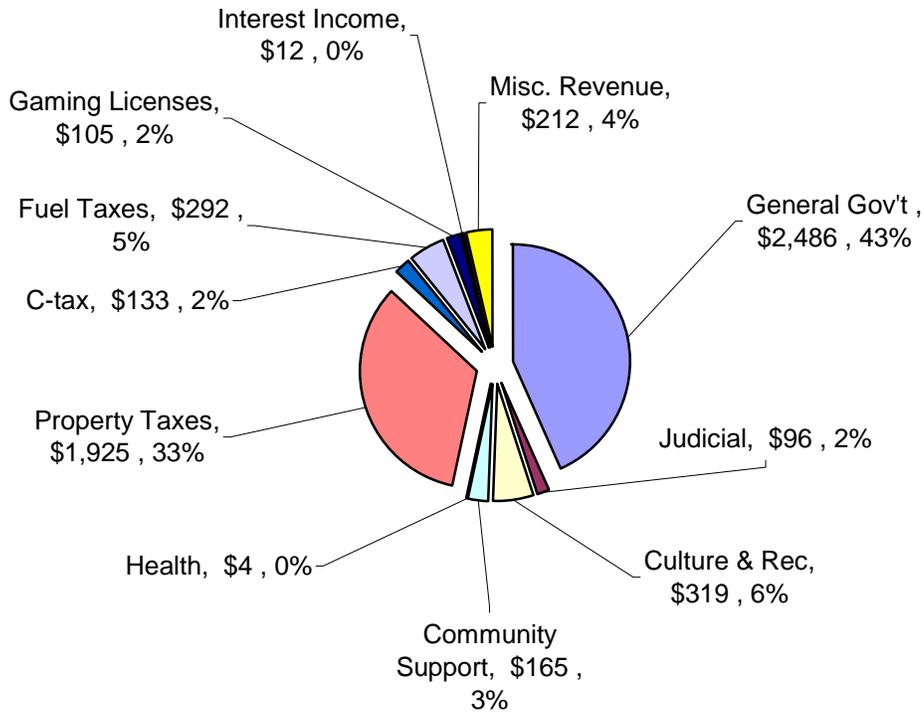
The General Fund is the main operating fund of the City. At the close of the current fiscal year, fund balance for the General Fund was \$2,408,436. This ending fund balance represents 61% of General Fund expenditures. General Fund restricted fund balance, which includes amounts constrained for a specific purpose by external parties, is \$342,125; there is no General Fund committed fund balance in the current year. Committed fund balance includes amounts constrained by Council; the General Fund assigned fund balance, which is based on the intended use of the funds, is \$1,449,207; the remaining General Fund fund balance of \$617,107 is unassigned. Unassigned fund balance represents 15.6% of total General Fund expenditures.

At the close of the current fiscal year, excess of revenues over expenditures for the General Fund were \$284,727. In addition, the General Fund had positive working capital of \$2,408,436 or a ratio of 7.8:1, which represents very strong short-term liquidity.

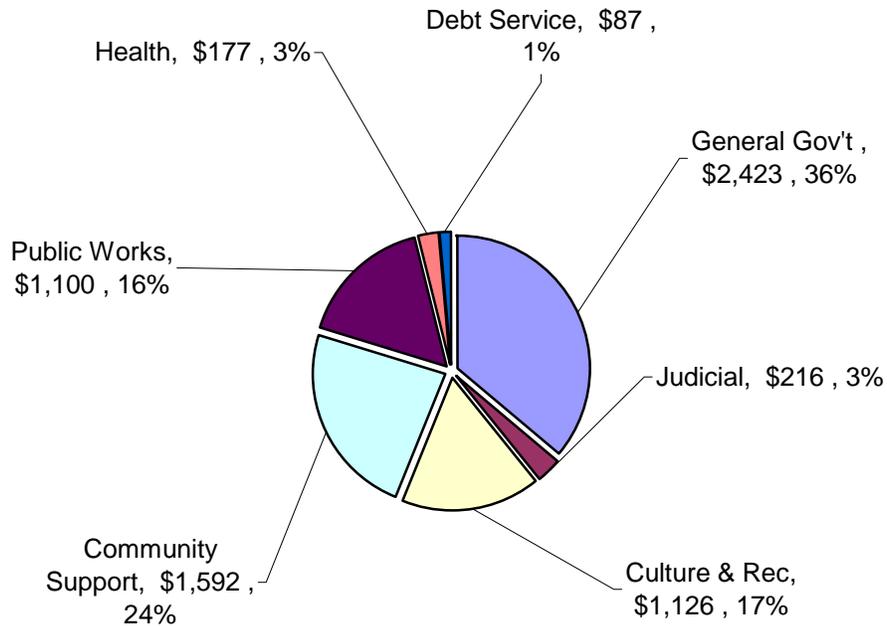
The Grants Fund is used to track revenues and expenditures for various grants that the City has applied for and received. The Grants Fund ended the fiscal year with a fund balance of \$114,665.

Other governmental funds include those such as the Capital Projects Fund, which is used to account for funds to be used for the acquisition or construction of capital assets, other than those of Enterprise Funds.

FY 13 Governmental Activities - Revenues (thousands)



FY 13 Governmental Activities - Expenditures (thousands)



The major sources of program revenues for the General Government function are business licenses and franchise fees. The program expenses associated include the operations of the Office of the City Manager, the Office of the City Clerk, Mayor and City Council activities and the expenses for the Finance and Information Technology departments.

The sources of program revenue for the judicial function include fines and fees (unrestricted) as well as administrative assessment and court facility fees (restricted). The program expenses associated include expenses for the Judge, City Prosecutor, Public Defender, and direct court costs.

The major sources of program revenues for the public works function are dedications (non-cash transactions) of streets and storm drain systems from developers. However, there are none for the current fiscal year. The program expenses associated include operating costs related to streets and storm drain activities.

The major sources of program revenues for the culture and recreation function include grants and dedications of park property and improvements. The program expenses associated include the operating costs related to parks activities.

The major source of program revenues for the community support function is building permits and fees and planning fees. The program expenses associated with these revenues include the operations of the Building and Community Development departments.

The health function of the City includes animal control and vector control activities. Neither of these activities produces significant revenue. The program revenue consists of animal license fees and donations. The program expenses associated with these activities are operational expenses.

The major sources of general revenues (revenues that are not specifically allocated to a particular program) are property taxes, consolidated taxes, fuel taxes and gaming licenses.

Proprietary Funds

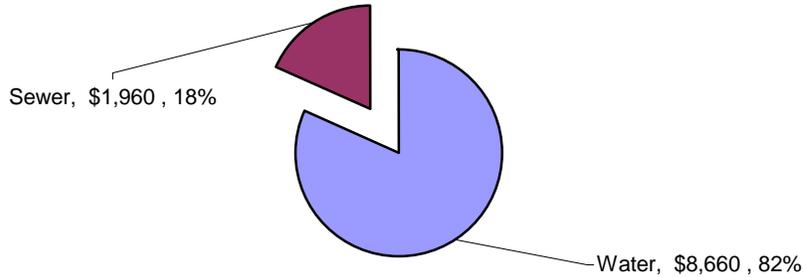
Whereas government funds measure and report available financial resources, *proprietary funds* measure and report economic resources. Proprietary funds are business-like funds and include the City's water and sewer Enterprise Funds.

At the close of the current fiscal year, the City's Enterprise Funds reported a combined ending net position of \$99,547,854, a decrease of \$1,061,730 in comparison with the prior year. This is due to operating and non-operating expenses exceeding revenues. The City does not currently collect fees that will cover depreciation expense and that would fund future capital replacement. Total net position in the Water Fund at the end of the year amounted to \$70,534,411. Of that amount \$4,203,319 is unrestricted. Total net position in the Sewer Fund amounted to \$29,013,443. Of that amount, \$8,191,414 was unrestricted. Unrestricted net position is the portion of the excess of total assets over total liabilities that may be utilized at the discretion of Council.

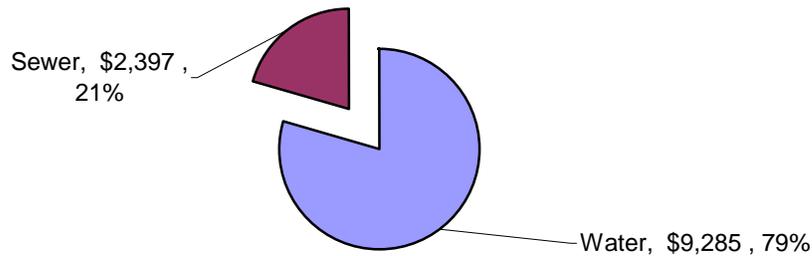
Combined Enterprise Fund revenues increased \$2,014,795 over the prior year and Combined Enterprise Fund expenses decreased by \$41,907 as compared to the prior year. The significant increase in revenues is due to the implementation of the new water bond fee during the fiscal year.

In addition, the Enterprise fund had combined positive working capital of \$10,304,474 or a ratio of 3.5:1, which represents strong short-term liquidity. The Water Fund had positive working capital of \$2,276,735 or a ratio of 1.7:1, which represents average short-term liquidity. The Sewer Fund had positive working capital of \$8,027,739 or a ratio of 13:1, which represents very strong short-term liquidity.

FY 13 Business-Type Activities - Revenue (thousands)



FY 13 Business-Type Activities - Expense (thousands)



The major sources of program revenues for business-type activities include user fees, water bond fees and both cash and non-cash capital grants and contributions. Program expenses include operations expenses and interest expense on debt.

Budgetary Highlights

The City Council adopts an annual operating budget and a five-year capital budget following public budget workshops and a public hearing. The operating budget includes proposed appropriations and the means of financing them. The City's budget remains in effect the entire year, but may be augmented by City Council prior to year end. Budget vs. actual (variance) financial reports are provided to management on a monthly basis and such are presented to City Council on a quarterly basis.

General Fund revenue indicates a negative variance of \$436,322. The shortfall is a result of the City receiving less franchise fees, RTC shared revenue and less municipal court fines than anticipated. General Fund expenditures indicate a positive variance of \$418,363. This was a result of cutting costs to make up for the shortfall in expected revenue. General Fund financing sources (uses) indicate a positive variance of \$40,625. This is a result unanticipated proceeds from insurance.

Water operating revenues indicate a positive variance of \$328,511. This is a result of the City earning more user fee and bond debt fee revenue than anticipated. Water operating expenses indicate a positive variance of \$222,580. This is attributable to a decrease in services and supplies. Sewer operating revenue indicates a positive variance of \$31,793 and sewer operating expense indicates a positive variance of \$84,023.

Budgetary schedules can be found on pages 38 through 40 and 57 through 58 of this report.

Capital Asset and Debt Administration

Capital assets. The City’s net investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$126,738,572 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, infrastructure and other capital assets. The City’s investment in capital assets (net of accumulated depreciation) for the current fiscal year decreased 3% due to depreciation. However, in total, the City’s total capital assets decreased by \$5,234,429. The majority of this decrease is due to current year depreciation expense.

City of Fernley Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Totals	
	FY13	FY12	FY13	FY12	FY13	FY12
Land	\$3,967,460	\$3,909,626	\$1,195,948	\$1,195,948	\$5,163,408	\$5,105,574
Water rights	--	--	38,720,470	38,701,604	38,720,470	38,701,604
Construction in progress	35,896	27,712	3,200	116,325	39,096	144,037
Buildings	5,988,303	6,331,467	-	-	5,988,303	6,331,467
Improvements other than buildings	9,250,384	9,382,454	121,797,735	125,478,650	131,048,119	134,861,104
Machinery & Equipment	237,845	291,259	212,053	325,674	449,898	616,933
Other capital assets	24,031,563	24,833,108	704,550	786,008	24,736,113	25,619,116
TOTAL	\$43,511,451	\$44,775,626	\$162,633,956	\$166,604,209	\$206,145,407	\$211,379,835

Additional information on the City’s capital assets can be found in note 4 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$75,435,000 and lease-purchase debt of \$3,926,000. All of the City’s debt

is backed by the full faith and credit of the government. In addition, the City's long-term liabilities also include estimated compensated absences of \$191,181 and other post employment benefits (OPEB) of \$414,056.

	Governmental activities		Business-type activities		Totals	
	FY13	FY12	FY13	FY12	FY13	FY12
General obligation/revenue bonds	--	--	\$75,435,000	\$77,186,912	\$75,435,000	\$77,186,912
Installment Purchase Debt	\$3,926,000	\$4,010,000	--	--	\$3,926,000	\$4,010,000
Unamortized bond premium	--	--	\$45,835	\$49,340	\$45,835	\$49,340
Compensated absences	\$114,737	\$80,039	\$76,444	\$86,060	\$191,181	\$166,099
TOTAL	\$4,040,737	\$4,090,039	\$75,557,279	\$77,322,312	\$79,598,016	\$81,412,351

The City's total debt decreased by \$1,814,335 during the current fiscal year due to the payment of budgeted debt service amounts.

Additional information of the City's long-term debt can be found in Note 7 on pages 30 through 31 of this report.

Economic Factors and Next Year's Budget and Rates

The City submitted the FY 2013/14 budget to the Department of Taxation and received approval. The budget is an all encompassing financial plan, policy document, operations guide and communications device, which incorporates an organization's mission, vision and strategic plan. Budgets are management tools to help plan for the future.

General fund revenues are budgeted to increase by \$1.5M over prior year's actual. The increase is attributable to an estimated increase in property tax revenue, an increase in licenses and permits and an increase in intergovernmental revenue.

General fund expenditures are budgeted to increase over prior year's actual by \$1.3M. A good portion of the increase is attributable to filling unstaffed and new positions and the benefits associated in addition to salary increases. The increase is also attributable to other operational increases in each of the governmental functions.

Water fund revenues are budgeted to increase by \$61K. Water fund expenses are budgeted to increase by \$491K due to an increase in payroll and benefits and an increase in operational services and supplies.

Sewer fund revenues are budgeted to increase by \$17K. Sewer fund expenses are budgeted to increase by \$450,727 due to an increase in payroll and benefits, capital purchases/projects and increases in other operational expenses.

The City's challenge remains the same as in the past several years – to provide basic services at a reasonable cost. As we move into the next budget year, we address several key issues:

- How the City will continue to maintain key service levels and provide basic services with one of the smallest governments per capita in the State
- Maintaining current staffing levels
- Litigation for the City's fair share of consolidated tax
- Water bond debt
- Water and Sewer Rate Increases
- Capital replacement
- Emergency Fund
- Making the City a better place to work, live and play

The economic outlook for the City of Fernley remains positive. The economy is moving out of the recession and the City is experiencing positive effects. Assessed values of real property are increasing. Housing is limited and the City is experiencing a higher volume of building permits, which indicates growth. The financial position of the City indicates that the City will be able to meet its financial obligations as they become due and it will be able to provide service obligations to its constituencies both currently and in the future. Therefore, there is adequate cash to meet current obligations and those expected in the near future.

Going forward, it will be very important for management to make responsible decisions and properly plan for the City's future. In order to maintain its current financial position and in order to grow, it is imperative that the City plan ahead, operate within budget, collect revenue due, continue to analyze water and sewer rates and structures and follow proper internal control procedure.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Treasurer/Finance Director, 595 Silver Lace Blvd, Fernley NV 89408.

CITY OF FERNLEY, NEVADA
STATEMENT OF NET POSITION
JUNE 30, 2013

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and investments	\$ 3,902,463	\$ 12,884,370	\$ 16,786,833
Restricted cash and investments			
Refundable deposits	-	589,600	589,600
Interest receivable	9,345	-	9,345
Taxes receivable	40,353	-	40,353
Accounts receivable, net	247,204	808,675	1,055,879
Due from other governments	279,686	-	279,686
Inventories	-	81,783	81,783
Prepaid expenses	44,354	-	44,354
Total Current Assets	<u>4,523,405</u>	<u>14,364,428</u>	<u>18,887,833</u>
Noncurrent assets:			
Deferred charges	-	501,503	501,503
Capital assets:			
Land and construction in progress	4,003,356	39,919,618	43,922,974
Other capital assets, net of depreciation	39,508,095	122,714,338	162,222,433
Total Capital Assets	<u>43,511,451</u>	<u>162,633,956</u>	<u>206,145,407</u>
Total Noncurrent Assets	<u>43,511,451</u>	<u>163,135,459</u>	<u>206,646,910</u>
Total Assets	<u>48,034,856</u>	<u>177,499,887</u>	<u>225,534,743</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	275,140	1,656,358	1,931,498
Payable from restricted assets:			
Refundable deposits	-	589,600	589,600
Unearned revenue	16,681	-	16,681
Due to developers	131,892	-	131,892
Due to other governments	496	-	496
Due within one year	144,979	1,813,996	1,958,975
Total Current Liabilities	<u>569,188</u>	<u>4,059,954</u>	<u>4,629,142</u>
Noncurrent liabilities:			
Other postemployment benefit liabilities	265,260	148,796	414,056
Due in more than one year	3,895,758	73,743,283	77,639,041
Total Noncurrent Liabilities	<u>4,161,018</u>	<u>73,892,079</u>	<u>78,053,097</u>
Total Liabilities	<u>4,730,206</u>	<u>77,952,033</u>	<u>82,682,239</u>
NET POSITION			
Net investment in capital assets	39,585,451	87,153,121	126,738,572
Restricted	579,648	-	579,648
Unrestricted	3,139,551	12,394,733	15,534,284
Total Net Position	<u>\$ 43,304,650</u>	<u>\$ 99,547,854</u>	<u>\$ 142,852,504</u>

See accompanying notes.

**CITY OF FERNLEY, NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Governmental Activities:							
General government	\$ 2,422,886	\$ 1,355,031	\$ -	\$ 1,130,532	\$ 62,677	\$ -	\$ 62,677
Judicial	215,504	95,834	-	-	(119,670)	-	(119,670)
Culture and recreation	1,126,357	950	63,124	254,710	(807,573)	-	(807,573)
Community development	1,591,456	115,130	50,000	-	(1,426,326)	-	(1,426,326)
Public works	1,100,290	-	-	-	(1,100,290)	-	(1,100,290)
Health	177,080	4,157	-	-	(172,923)	-	(172,923)
Debt Service:							
Interest and fiscal charges	87,015	-	-	-	(87,015)	-	(87,015)
Total Governmental Activities	6,720,588	1,571,102	113,124	1,385,242	(3,651,120)	-	(3,651,120)
Business-type Activities:							
Water	9,284,992	8,271,533	-	29,570	-	(983,889)	(983,889)
Sewer	2,396,803	1,929,793	-	3,474	-	(463,536)	(463,536)
Total Business- type Activities	11,681,795	10,201,326	-	33,044	-	(1,447,425)	(1,447,425)
Total	\$ 18,402,383	\$ 11,772,428	\$ 113,124	\$ 1,418,286	(3,651,120)	(1,447,425)	(5,098,545)
General Revenues:							
Property taxes					1,924,602	-	1,924,602
Consolidated taxes					132,962	-	132,962
Fuel taxes					292,483	-	292,483
Unrestricted gaming licenses					104,761	-	104,761
Unrestricted interest income					12,334	39,272	51,606
Miscellaneous revenue					211,636	346,423	558,059
Total General Revenues					2,678,778	385,695	3,064,473
Change in Net Position					(972,342)	(1,061,730)	(2,034,072)
Net Position July 1, as previously reported					43,903,169	100,609,584	144,512,753
Prior period adjustments					373,823	-	373,823
Net Position July 1, as adjusted					44,276,992	100,609,584	144,886,576
Net Position June 30					\$ 43,304,650	\$ 99,547,854	\$ 142,852,504

See accompanying notes.

**CITY OF FERNLEY, NEVADA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	GENERAL FUND	GRANTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	\$ 2,414,428	\$ -	\$ 1,488,035	\$ 3,902,463
Interest receivable	9,345	-	-	9,345
Taxes receivable	40,353	-	-	40,353
Accounts receivable	243,354	-	3,850	247,204
Due from other governments	23,027	229,671	26,988	279,686
Due from other funds	33,920	-	-	33,920
Prepaid expenses	-	22,177	22,177	44,354
Total Assets	<u>\$ 2,764,427</u>	<u>\$ 251,848</u>	<u>\$ 1,541,050</u>	<u>\$ 4,557,325</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued liabilities	\$ 151,891	\$ 102,003	\$ 21,246	\$ 275,140
Due to developers	131,892	-	-	131,892
Due to other governments	496	-	-	496
Due to other funds	-	33,920	-	33,920
Deferred revenue	71,712	1,260	-	72,972
Total Liabilities	<u>355,991</u>	<u>137,183</u>	<u>21,246</u>	<u>514,420</u>
Fund Balance:				
Nonspendable	-	22,177	22,177	44,354
Restricted:				
Court administration and graffiti abatement - NRS 268.4085	-	-	24,780	24,780
Court fees - NRS 176.0611	-	-	78,532	78,532
Grants	-	92,488	-	92,488
Future development	327,747	-	-	327,747
Specified purpose	13,576	-	-	13,576
Capital projects	802	-	41,723	42,525
Committed:				
Convention center	-	-	379,458	379,458
Capital projects	-	-	808,801	808,801
Assigned	1,449,207	-	164,333	1,613,540
Unassigned	617,104	-	-	617,104
Total Fund Balance	<u>2,408,436</u>	<u>114,665</u>	<u>1,519,804</u>	<u>4,042,905</u>
Total Liabilities and Fund Balance	<u>\$ 2,764,427</u>	<u>\$ 251,848</u>	<u>\$ 1,541,050</u>	<u>\$ 4,557,325</u>

See accompanying notes.

CITY OF FERNLEY, NEVADA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds		\$ 4,042,905
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Capital assets	56,633,349	
Less: Accumulated depreciation	13,121,898	43,511,451
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
		56,291
Certain liabilities are not reported in the governmental funds because they are not due and payable in the current period:		
Other postemployment benefits liability	(265,260)	
Bonds payable	(3,926,000)	
Compensated absences	(114,737)	(4,305,997)
Total Net Position - Governmental Activities		\$ <u>43,304,650</u>

See accompanying notes.

CITY OF FERNLEY, NEVADA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND	GRANTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 1,909,538	\$ -	\$ 254,710	\$ 2,164,248
Licenses and permits	1,578,429	-	-	1,578,429
Intergovernmental	488,569	1,179,992	-	1,668,561
Fines and forfeits	85,638	-	10,196	95,834
Miscellaneous	112,574	541	14,536	127,651
Total Revenues	<u>4,174,748</u>	<u>1,180,533</u>	<u>279,442</u>	<u>5,634,723</u>
EXPENDITURES				
Current:				
General government	2,276,007	-	-	2,276,007
Judicial	201,618	-	13,678	215,296
Culture and recreation	651,391	-	94,014	745,405
Community development	397,563	1,084,441	-	1,482,004
Public works	-	-	1,826	1,826
Health	176,523	-	-	176,523
Total Current	<u>3,703,102</u>	<u>1,084,441</u>	<u>109,518</u>	<u>4,897,061</u>
Debt service:				
Principal	84,000	-	-	84,000
Interest	87,015	-	-	87,015
Total Debt Service	<u>171,015</u>	<u>-</u>	<u>-</u>	<u>171,015</u>
Capital outlay:				
General government	15,905	-	-	15,905
Judicial	-	-	16,793	16,793
Culture and recreation	40,624	-	-	40,624
Community development	-	45,661	-	45,661
Public works	-	-	185,072	185,072
Total Capital Outlay	<u>56,529</u>	<u>45,661</u>	<u>201,865</u>	<u>304,055</u>
Total Expenditures	<u>3,930,646</u>	<u>1,130,102</u>	<u>311,383</u>	<u>5,372,131</u>
Excess (Deficiency) of Revenues over (under) Expenditures	244,102	50,431	(31,941)	262,592
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	40,625	-	-	40,625
Net Change in Fund Balance	<u>284,727</u>	<u>50,431</u>	<u>(31,941)</u>	<u>303,217</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	1,791,330	64,234	1,510,301	3,365,865
PRIOR PERIOD ADJUSTMENT	332,379	-	41,444	373,823
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>2,123,709</u>	<u>64,234</u>	<u>1,551,745</u>	<u>3,739,688</u>
FUND BALANCE, JUNE 30	<u>\$ 2,408,436</u>	<u>\$ 114,665</u>	<u>\$ 1,519,804</u>	<u>\$ 4,042,905</u>

See accompanying notes.

CITY OF FERNLEY, NEVADA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net Change in Fund Balances - Governmental Funds **\$ 303,217**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures and the proceeds from the sale of assets as other financing sources. However, in the statement of activities, the cost of those assets is depreciated over their useful lives and only the gain or loss is recorded when assets are sold.

Expenditures for capital assets	304,055	
Less: Current year depreciation	<u>(1,626,361)</u>	(1,322,306)
Donated capital assets		57,834

Because some property taxes will not be collected in time to pay for obligations in the current period, they are not considered available revenues in the governmental funds and are instead reported as deferred revenues. These revenues are accounted for as revenue in the statement of activities. 15,361

The issuance of long-term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related transactions. 84,000

The liability for other postemployment benefits is not recorded in the governmental funds, but is reported in the statement of net position. This is a current year charge in the liability, reported as an expense in the statement of activities.

Change in other postemployment benefit liability (75,750)

Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources but expenses are recognized in the statement of activities when incurred:

Change in long-term compensated absences payable		<u>(34,698)</u>
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Change in Net Position - Governmental Activities **\$ (972,342)**

See accompanying notes.

**CITY OF FERNLEY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	TOTAL ENTERPRISE FUNDS
ASSETS			
Current assets:			
Cash and investments	\$ 4,676,327	\$ 8,208,043	\$ 12,884,370
Restricted cash and investments:			
Refundable deposits	292,695	296,905	589,600
Accounts receivable, net	621,146	187,529	808,675
Inventories	79,340	2,443	81,783
Total Current Assets	<u>5,669,508</u>	<u>8,694,920</u>	<u>14,364,428</u>
Noncurrent assets:			
Deferred charges	<u>463,038</u>	<u>38,465</u>	<u>501,503</u>
Capital assets:			
Not being depreciated	39,733,908	185,710	39,919,618
Depreciable assets	<u>115,794,360</u>	<u>38,596,805</u>	<u>154,391,165</u>
	155,528,268	38,782,515	194,310,783
Less: Accumulated depreciation	<u>21,033,035</u>	<u>10,643,792</u>	<u>31,676,827</u>
Total Capital Assets	<u>134,495,233</u>	<u>28,138,723</u>	<u>162,633,956</u>
Total Noncurrent Assets	<u>134,958,271</u>	<u>28,177,188</u>	<u>163,135,459</u>
Total Assets	<u>140,627,779</u>	<u>36,872,108</u>	<u>177,499,887</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	1,467,712	188,646	1,656,358
Payable from restricted assets:			
Refundable deposits	292,695	296,905	589,600
Debt due within one year	<u>1,632,366</u>	<u>181,630</u>	<u>1,813,996</u>
Total Current Liabilities	<u>3,392,773</u>	<u>667,181</u>	<u>4,059,954</u>
Noncurrent liabilities:			
Other postemployment benefits	106,800	41,996	148,796
Bonds payable, due after one year	<u>66,593,795</u>	<u>7,149,488</u>	<u>73,743,283</u>
Total Noncurrent Liabilities	<u>66,700,595</u>	<u>7,191,484</u>	<u>73,892,079</u>
Total Liabilities	<u>70,093,368</u>	<u>7,858,665</u>	<u>77,952,033</u>
NET POSITION			
Net invested in capital assets	66,331,092	20,822,029	87,153,121
Unrestricted	<u>4,203,319</u>	<u>8,191,414</u>	<u>12,394,733</u>
Total Net Position	<u>\$ 70,534,411</u>	<u>\$ 29,013,443</u>	<u>\$ 99,547,854</u>

See accompanying notes.

**CITY OF FERNLEY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	TOTAL ENTERPRISE FUNDS
OPERATING REVENUES			
User fees	\$ 4,925,752	\$ 1,929,793	\$ 6,855,545
Bond debt fee	3,345,781	-	3,345,781
Total Operating Revenues	<u>8,271,533</u>	<u>1,929,793</u>	<u>10,201,326</u>
OPERATING EXPENSES			
Salaries and wages	803,456	340,917	1,144,373
Employee benefits	311,139	131,470	442,609
Services and supplies	1,703,871	550,481	2,254,352
Depreciation	3,230,816	1,018,396	4,249,212
Total Operating Expenses	<u>6,049,282</u>	<u>2,041,264</u>	<u>8,090,546</u>
Operating Income (Loss)	<u>2,222,251</u>	<u>(111,471)</u>	<u>2,110,780</u>
NONOPERATING REVENUE (EXPENSE)			
Interest earned on investments	12,910	26,362	39,272
Miscellaneous revenue	346,183	240	346,423
Miscellaneous expense	(4,384)	-	(4,384)
Interest expense	(3,231,326)	(355,539)	(3,586,865)
Total Nonoperating Revenue (Expense)	<u>(2,876,617)</u>	<u>(328,937)</u>	<u>(3,205,554)</u>
Income (Loss) Before Capital Contributions	<u>(654,366)</u>	<u>(440,408)</u>	<u>(1,094,774)</u>
CAPITAL CONTRIBUTIONS			
Customer connection fees	6,995	3,474	10,469
Developer agreements	3,709	-	3,709
Developer contributed water rights	18,866	-	18,866
Total Capital Contributions	<u>29,570</u>	<u>3,474</u>	<u>33,044</u>
Change in Net Position	(624,796)	(436,934)	(1,061,730)
Net Position, July 1	<u>71,159,207</u>	<u>29,450,377</u>	<u>100,609,584</u>
Net Position, June 30	<u>\$ 70,534,411</u>	<u>\$ 29,013,443</u>	<u>\$ 99,547,854</u>

See accompanying notes.

**CITY OF FERNLEY, NEVADA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2013**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	TOTAL ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 8,461,962	\$ 1,928,146	\$ 10,390,108
Cash received from other funds for services	164,058	-	164,058
Cash paid for employees services	(1,093,212)	(479,494)	(1,572,706)
Cash paid to vendors for services and supplies	(1,733,570)	(546,088)	(2,279,658)
Net Cash Provided (Used) by Operating Activities	<u>5,799,238</u>	<u>902,564</u>	<u>6,701,802</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Principal payments on debt	(1,513,902)	(238,010)	(1,751,912)
Interest paid on debt	(3,203,230)	(342,524)	(3,545,754)
Acquisition of capital assets	(40,956)	(219,132)	(260,088)
Connection fees	10,704	3,474	14,178
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,747,384)</u>	<u>(796,192)</u>	<u>(5,543,576)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	15,213	31,280	46,493
Net Increase (Decrease) in Cash and Cash Equivalents	<u>1,067,067</u>	<u>137,652</u>	<u>1,204,719</u>
CASH AND CASH EQUIVALENTS, July 1	<u>3,901,955</u>	<u>8,367,296</u>	<u>12,269,251</u>
CASH AND CASH EQUIVALENTS, June 30	<u>\$ 4,969,022</u>	<u>\$ 8,504,948</u>	<u>\$ 13,473,970</u>
REPRESENTED BY:			
Cash and cash equivalents	\$ 4,676,327	\$ 8,208,043	\$ 12,884,370
Cash - refundable deposits	292,695	296,905	589,600
	<u>\$ 4,969,022</u>	<u>\$ 8,504,948</u>	<u>\$ 13,473,970</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 2,222,251	\$ (111,471)	\$ 2,110,780
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,230,816	1,018,396	4,249,212
Miscellaneous revenues/expense	341,793	240	342,033
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable, net	17,024	(6,217)	10,807
Inventories	35,728	(317)	35,411
Increase (decrease) in:			
Accounts payable	(74,444)	4,060	(70,384)
Accrued liabilities	11,626	5,666	17,292
Compensated absences payable	(1,338)	(8,278)	(9,616)
Refundable deposits	4,687	6,054	10,741
Other postemployment benefit liability	11,095	(5,569)	5,526
Total Adjustments	<u>3,576,987</u>	<u>1,014,035</u>	<u>4,591,022</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,799,238</u>	<u>\$ 902,564</u>	<u>\$ 6,701,802</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution of water rights	\$ 18,866	\$ -	\$ 18,866

See accompanying notes.

**CITY OF FERNLEY, NEVADA
FIDUCIARY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2013**

	<u>AGENCY FUND</u>
ASSETS	
Cash and cash equivalents	\$ 4,866
LIABILITIES	
Bail bond deposits held for others	\$ 4,866

See accompanying notes.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Fernley, Nevada (“the City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Government Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the more significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Reporting Entity:

The City of Fernley, Nevada was incorporated on July 1, 2001. The City operates under a Council-Manager form of government and provides the following services as authorized by law: water and sewer utilities, streets, culture and recreation, planning and zoning, animal control, and general administrative services. Prior to July 1, 2001, the entity was organized as an unincorporated town in accordance with Nevada Revised Statutes 269. The financial statements present the financial position and results of operations and changes in net position/fund balances for those funds under the direct jurisdiction of the Mayor and City Council of the City of Fernley for which the Mayor and City Council are financially accountable.

B. Government-wide and Fund Financial Statements:

The government-wide financial statements report information on all of the non-fiduciary activities of the City of Fernley, Nevada. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activities are offset by program revenues. *Direct expenses* are those that are specifically associated with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items properly not included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the City’s funds, including its fiduciary funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due, but will not be collected within this 60 day period, the receivable is recorded and an offsetting deferred revenue account is established. Deferred revenues also arise when the government receives resources before it has legal claim to them, and thus in subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment are recorded only when payment is due.

Property taxes, consolidated tax revenue (sales tax, cigarette taxes, business services tax, liquor taxes), gaming taxes, gasoline taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund services provided and used and other charges between the City's business-type activities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions and ancillary services.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The City reports the following major governmental funds:

The *General Fund* is the City's general operating fund and is used to account for all financial resources except those required to be accounted for in other funds.

The *Grants Fund* is used to account for all federal and state grant awards received.

The City reports the following major enterprise funds:

The *Water Utility Fund* is used to account for the provision of water services to the residents of the City and some residents of Lyon County. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt.

The *Sewer Utility Fund* is used to account for the provision of sewer services to the residents of the City and some residents of Lyon County. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt.

Additionally, the City reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the City holds for others in an agent capacity. Included are bonds posted with the municipal court. These funds are excluded from the government-wide financial statements.

D. Assets, Liabilities and Net Position or Equity:

Cash and Investments:

Cash resources of the individual funds are combined to form a pool of cash and investments, which is managed by the City Treasurer. The City invests in the State of Nevada Local Government Pooled Investment Fund, which is reported at fair value. Interest income earned is distributed to the appropriate funds based on each fund's equity in the investment.

Pursuant to NRS 355 and NRS 355.170, the City of Fernley may only invest in the following types of securities:

- Certain "A" rated notes and bonds purchased by a registered broker-dealer that are issued by corporations organized and operating in the United States and that mature within five (5) years from the date of purchase; asset-backed securities and collateralized mortgage obligations rated "AAA" or higher by a nationally recognized rating service. These investments must not, in the aggregate, exceed 20 percent of the

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

total portfolio at the time of purchase, nor include notes and bonds issued by any one corporation in excess of 25 percent of such investments

- United States bonds and debentures maturing within ten (10) years from the date of purchase
- Certain farm loan bonds
- Bills and notes of the United States Treasury, maturing within ten (10) years from the date of purchase
- Obligations of an agency of the United States or a corporation sponsored by the government, maturing within ten (10) years from the date of purchase
- Obligations of state and local governments if, (1) the interest is exempt for federal income tax purposes and (2) the obligations have been rated “A” or higher by a nationally recognized bond credit rating agency
- Negotiable and nonnegotiable certificates of deposit from commercial banks and insured savings and loan associations
- State of Nevada Local Government Pooled Investment Fund
- Certain securities issued by local governments of the State of Nevada
- Certain bankers’ acceptances
- Certain short-term paper issued by a corporation organized and operating in the United States
- Other securities expressly provided by other statutes, including repurchase agreements
- Certain “AAA” rated mutual funds that invest in (1) securities issued by the Federal Government or agencies of the Federal Government, (2) Master, bank notes or other short-term commercial paper rates as “A-1” or “P-1” issued by a corporation or depository institution organized, licensed and operating in the United States and/or (3) Repurchase agreements that are fully collateralized by (1) and (2) above.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments (with maturities of 3 months or less when purchased) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk in changes in value. Based on the nature of the investment policies, all amounts are available on demand and are, therefore, classified as cash equivalents on the Statement of Cash Flows.

Receivables and Payables:

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds”. Advances are amounts not expected to be collected or paid within one year. Any residual balances outstanding between the governmental activities and business-type actives are reported in the government-wide financial statements as “internal balances.”

Real property taxes result in a lien on the property and attach on July 1 (the levy date) of the year for which the taxes are levied. Taxes may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January and March to the

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

County Clerk/Treasurer of Lyon County in which the City of Fernley is located. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two year waiting period, if taxes remain unpaid, a tax deed is issued conveying the property to Lyon County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest and costs before sale. As such, real property taxes receivable reflect only those taxes receivable from the delinquent roll years, and current taxes collected within 60 days of year end and delinquent taxes from all roll years prior to 2003-2004 have been written off. No provision for uncollectible accounts has been established, as management does not anticipate any material collection losses with respect to the remaining balances.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation at the tax rates described above.

Receivables in proprietary fund types have arisen in the ordinary course of business, and are shown net of an allowance for uncollectible accounts, if applicable.

Inventories and Prepaids:

Proprietary fund inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds in the fund financial statements are considered consumable supplies and as such are recorded as expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets:

City policy requires that certain resources be set aside for various purposes in the City's water and sewer utility funds. These amounts are reported as restricted assets. When both restricted and unrestricted assets are available for the same purpose, restricted assets are used first.

Capital Assets:

Capital assets, which include land, construction in progress, water rights, property, plant, equipment and infrastructure, are capitalized and reported in the applicable governmental activities and business-type activities columns of the government-wide financial statements. For governmental fund types, outlays for capital assets are expensed during the current period. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 for non-infrastructure assets and \$100,000 for infrastructure assets and an estimated useful life in excess of two years.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Water rights are intangible assets. A water right can be conveyed or transferred. Water rights, however, are appurtenant to the land and are conveyed by deed with the land unless the seller specifically reserves the water right in the deed. Water rights are not depreciable or amortizable.

Capital assets are recorded at cost for purchased or constructed assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	25-40 years
Improvements other than buildings	10-20 years
Machinery and equipment	5-10 years
Other capital assets	25-40 years
Infrastructure	20-40 years

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective fiscal year June 30, 2004, the initial year of implementation. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has been reported in prior years' financial statements. The retroactive reporting of infrastructure is not required for the City based on its size. As such, the City has elected not to retroactively report all major general infrastructure acquired between July 1, 1980 and June 30, 2003.

Long-Term Liabilities:

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences is calculated under the provisions of GASB Statement No. 16, "Accounting for Compensated Absences."

All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. For current and advance refunding resulting in a defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

A liability for compensated absences is reported in the governmental funds, primarily the General Fund, only if they have matured as a result of employee resignations, terminations and retirements. For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of bonds is reported as other financing sources, as are bond premiums. Bond discounts are recorded as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Equity Classification:

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations or other governments; (2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “Net Investment in Capital Assets.”

Beginning with fiscal year 2011, the City implemented GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of constraints placed on the City’s fund balances more transparent.

The following classifications have been implemented by the City:

- Nonspendable fund balance – These items are legally or contractually required to be maintained intact or are not in a spendable form, such as inventories and prepaids.
- Restricted fund balance – These amounts are constrained to being used for specific purposes by external parties, constitutional provisions or enabling legislation, such as bond covenants.
- Committed fund balance – These amounts can only be used for specific purposes as set forth by the City Council, the City’s highest level of decision making authority. An ordinance by the Council must be made, prior to the end of the reporting period, in order to establish an ending fund balance commitment for any specific purpose. The same action is also required to modify or rescind an established commitment.
- Assigned fund balance – Assignments are neither restrictions nor commitments and represent the City’s intent to use funds for a specific purpose. These assignments, however, are not legally binding and are meant to reflect intended future use of the

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

City’s ending fund balance. The City Council with the City Manager has the authority of assigning amounts of ending fund balance through other council actions.

- Unassigned fund balance – The residual classification of the General Fund that is available to spend.

When an expenditure is incurred and both restricted and unrestricted resources are available, the portion of the fund balance that was restricted for those purposes shall be reduced first. If no restricted resources exist, then the unrestricted fund balance shall be reduced. Furthermore, when an expenditure is incurred for purposes which amounts of committed, assigned, or unassigned fund balances are available, are considered to have been spent, and any of these unrestricted fund balance classifications could be used, they are considered to be spent in the above order.

The following amounts are restricted for future development as reported in the General Fund:

<u>Developer/Development</u>	<u>Balance at June 30, 2013</u>	<u>Project Description</u>
Upland Ranches	\$ 22,258	Farm District Rd Bike Lane
Upland Ranches – Phase 7	29,311	Farm District Rd Turn Lane
Sundance	4,140	Farm District Rd Bike Lane
Country Ranch Estates	936	Farm District Rd Bike Lane
Aspen Meadows	5,100	Farm District Rd Bike Lane
Mt View Estates	10,282	Farm District Rd Bike Lane
Silverland Estates, Ph 1	19,387	Farm District Rd Bike Lane
Truckee River Ranch, Ph 1 & 2	40,673	Farm District Rd Bike Lane
Skyridge II	7,866	Farm District Rd Bike Lane
Sierra Vista	14,670	95A Turn Lane
Shady Grove	5,925	95A Turn Lane
Fernley Chiropractic	7,260	95A Curb, Gutter & Sidewalk
Renslow Commercial Bldg	14,200	95A Curb, Gutter & Sidewalk
Nevada State Bank	9,328	95A Curb, Gutter & Sidewalk
Quick Stop Markets	3,850	95A Curb, Gutter & Sidewalk
North Seneca Falls	27,180	Hardie Ln Improvements
SVWW II, LLC	105,381	Shadow Ln Improvements
Total	\$ <u>327,747</u>	

The following assignments of fund balance were made in the General Fund and Nonmajor Governmental Funds:

- \$791,178 is assigned in the General fund for the purpose of repairs and maintenance costs for city streets, storm drains and infrastructure.
- \$658,029 is assigned in the General fund for the purpose of payment debt service for the

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
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2007-2008 water/sewer general obligation bonds.

- \$164,333 is assigned in the Nonmajor Governmental Fund – Transient Lodging Tax Fund for the construction, operation and maintenance of a convention center.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Budgetary Information:

The City of Fernley adheres to the Local Government Budget and Finance Act (Act) incorporated within the statutes of the State of Nevada, in which annual budgets are legally adopted for all funds except Agency funds. The Act and City policy include the following procedures to establish the budgetary data, which is reflected in these financial statements:

1. On or before April 15, the City Manager submits to the Fernley City Council a tentative budget for the fiscal year commencing the following July 1, to be filed with the Nevada Department of Taxation.
2. Public hearings on the tentative budget are held on the third Tuesday in May to obtain taxpayer comments.
3. Prior to June 1, at a public hearing, the Council indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Council. The final budget must then be forwarded to the Nevada Tax Commission for final approval.
4. The City may not amend the budget without approval by the City Council. The City Manager is authorized to transfer appropriations between accounts within any department, with notification to the City Council. Any revisions that alter the total appropriations of a function or fund must be approved in advance by the City Council. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year.
5. Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Appropriations lapse at year end.
6. In accordance with State statute, actual expenditures may not exceed budgeted appropriations of the various governmental functions of the General, Special Revenue, and Capital Project Funds. Per NRS 354.626, expenditures over budgeted appropriations are allowed for bond repayments, medium term obligation repayments, and other long-term contracts expressly authorized by law. The sum of operating and nonoperating expenses in Proprietary Funds also may not exceed combined total appropriations.

The budget reflected in the financial statements has been amended from the original budget amounts. Such amendments included augmentations for prior obligations, as well as

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

supplemental appropriations needed for grants, contingencies, and other uses.

B. Compliance:

At June 30, 2013 the Grant Special Revenue Fund owed the General Fund \$33,920. This balance is the result of carrying out grant activity on a reimbursement basis, and therefore at June 30, 2013 expenditures had been incurred that were not yet reimbursed from the grantor and required a temporary loan from the General Fund. The specific criteria set forth in NRS 354.6118 as clarified by NAC 354.290 regarding temporary loans were not followed, an apparent violation of NRS 354.6118 as clarified by NAC 354.290 (with an effective date of December 16, 2010).

NOTE 3 – CASH AND INVESTMENTS:

A summary schedule of cash and investments for the City of Fernley at June 30, 2013, is as follows:

Cash and Investment Balances Held by:

Governmental Funds	\$ 3,902,463
Fiduciary Funds	4,866
Proprietary Funds:	
Unrestricted	12,884,370
Restricted	589,600 *
Total Cash and Investments	\$ 17,381,299

* Restricted cash in the Proprietary Funds consists of refundable customer deposits.

Balances Classified by:

Cash:	
On hand	\$ 3,024
Wells Fargo Bank:	
Checking	3,470,641
Investments:	
NVEST	10,160,447
State of Nevada Local Government Investment Pool	3,747,187
Total Cash and Investments	\$ 17,381,299

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As of June 30, 2013, the City of Fernley had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
NVEST:					
U.S. Treasuries	\$ 5,488,986	\$ 5,488,986	\$ -	\$ -	\$ -
U.S. Agencies	752,708	-	752,708	-	-
Mortgage-Backed	1,987,631	8,428	851,311	612,080	515,812
Corporate Bonds	1,911,760	-	1,911,760	-	-
Money Market Fund	19,362	19,362	-	-	-
State of Nevada:					
Local Government Investment Pool	3,747,187	3,747,187 *	-	-	-
Total	\$ 13,907,634	\$ 9,263,963	\$ 3,515,779	\$ 612,080	\$ 515,812

* As of June 30, 2013, the average weighted maturity was 97 days.

The City is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the Board of Finance of the State of Nevada. The City's investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. The City's investment in the LGIP is reported at fair value.

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada local governments. The City has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below:

Interest Rate Risk. Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. As of June 30, 2013, the majority of the City's investments in Mortgage-Backed securities were rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. Of the City's investments in corporate bonds, \$645,629 was rated AAA, and \$1,266,131 was deemed not applicable by Moody's. The State of Nevada Local Government Investment Pool is an unrated external investment pool. As noted above, the City does not have a formal investment policy that specifies minimum acceptable credit ratings beyond those specified in statute.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
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As of June 30, 2013, more than 5% of the City's investments are in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 7.5%, and 10.5% respectively, of the total investments.

Custodial Credit Risk- Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. All of the bank balance was covered by FDIC insurance or collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions or Transfers In</u>	<u>Deletions or Transfers Out</u>	<u>Balance June 30, 2013</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,909,626	\$ 57,834	\$ -	\$ 3,967,460
Construction in progress	27,712	236,945	(228,761)	35,896
Total capital assets, not being depreciated	<u>3,937,338</u>	<u>294,779</u>	<u>(228,761)</u>	<u>4,003,356</u>
Capital assets, being depreciated:				
Buildings	8,599,098	-	-	8,599,098
Improvements	12,543,634	242,811	(92,000)	12,694,445
Machinery and Equipment	1,490,213	42,583	(201,225)	1,331,571
Infrastructure	29,994,105	10,774	-	30,004,879
Total capital assets, being depreciated	<u>52,627,050</u>	<u>296,168</u>	<u>(293,225)</u>	<u>52,629,993</u>
Less accumulated depreciated for:				
Buildings	(2,267,631)	(343,164)	-	(2,610,795)
Improvements	(3,161,180)	(374,881)	92,000	(3,444,061)
Machinery and Equipment	(1,198,954)	(95,997)	201,225	(1,093,726)
Infrastructure	(5,160,997)	(812,319)	-	(5,973,316)
Total accumulated depreciation:	<u>(11,788,762)</u>	<u>(1,626,361)</u>	<u>293,225</u>	<u>(13,121,898)</u>
Total capital assets, being depreciated, net	<u>40,838,288</u>	<u>(1,330,193)</u>	<u>-</u>	<u>39,508,095</u>
Governmental activities capital assets, net	<u>\$ 44,775,626</u>	<u>\$ (1,035,414)</u>	<u>\$ (228,761)</u>	<u>\$ 43,511,451</u>

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

	Balance July 1, 2012	Additions or Transfers In	Deletions or Transfers Out	Balance June 30, 2013
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,195,948	\$ -	\$ -	\$ 1,195,948
Water rights	38,701,604	18,866	-	38,720,470
Construction in progress	116,325	221,700	(334,825)	3,200
Total capital assets, not being depreciated	<u>40,013,877</u>	<u>240,566</u>	<u>(334,825)</u>	<u>39,919,618</u>
Capital assets, being depreciated:				
Buildings	17,530	-	-	17,530
Improvements	150,476,042	334,825	(10,170)	150,800,697
Machinery and Equipment	1,983,054	38,392	(120,138)	1,901,308
Infrastructure	1,671,630	-	-	1,671,630
Total capital assets, being depreciated	<u>154,148,256</u>	<u>373,217</u>	<u>(130,308)</u>	<u>154,391,165</u>
Less accumulated depreciated for:				
Buildings	(17,529)	-	-	(17,529)
Improvements	(24,997,392)	(4,015,741)	10,170	(29,002,963)
Machinery and Equipment	(1,657,380)	(152,013)	120,138	(1,689,255)
Infrastructure	(885,622)	(81,458)	-	(967,080)
Total accumulated depreciation:	<u>(27,557,923)</u>	<u>(4,249,212)</u>	<u>130,308</u>	<u>(31,676,827)</u>
Total capital assets, being depreciated, net	<u>126,590,333</u>	<u>(3,875,995)</u>	<u>-</u>	<u>122,714,338</u>
Business-type activities capital assets, net	<u>\$ 166,604,210</u>	<u>\$ (3,635,429)</u>	<u>\$ (334,825)</u>	<u>\$ 162,633,956</u>

CITY OF FERNLEY, NEVADA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:

General government	\$ 405,217
Judicial	282
Public works	1,098,464
Culture and recreation	121,862
Health	536
Total depreciation expense – governmental activities	\$ 1,626,361

Business-type Activities:

Water	\$ 3,230,816
Sewer	1,018,396
Total depreciation expense – business-type activities	\$ 4,249,212

NOTE 5 – DEFINED BENEFIT PENSION PLAN:

Plan Description. The City of Fernley contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The Public Employees Retirement System of the State of Nevada issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy. Benefits for plan members are funded under one of two methods; the employer (ER) pay contribution plan or the employer/employee (ER/EE) paid contribution plan. Under the ER contribution plan, the City is required to contribute all amounts due under the plan. Under the ER/EE contribution plan, employees are required to contribute a percentage of their compensation to the plan, while the City is required to match that contribution. The contribution requirements of the City are established by Chapter 286 of Nevada Revised Statutes. The funding mechanism may only be amended through legislation.

The City's contribution rates and amounts contributed (equal to the required contributions for the year) for the last three years are as follows:

Fiscal Year	Contribution Rate ER	Contribution Rate ER/EE	Total Contribution
2012-2013	23.75%	12.25%	\$665,231
2011-2012	23.75%	12.25%	\$628,641
2010-2011	21.50%	11.25%	\$621,221

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – INTERFUND BALANCES AND ACTIVITY:

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$ 33,920

The amounts payable to the General Fund relates to an advance made to the Grants Fund in fiscal year 2013 for the purpose of funding expenditures related to federal grants. The City expects to be reimbursed for these expenditures and pay back the short-term borrowing when the reimbursement is received from the grantor, expected within the next fiscal year.

NOTE 7 – LONG-TERM DEBT:

The City was, in accordance with Nevada Revised Statutes, within the legal debt limit at June 30, 2013.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The following schedule summarizes the changes in long-term debt:

	Issue Date	Interest Rate	Maturity Date	Authorized and Issued	Outstanding July 1, 2012	Additions	(Deletions)	Outstanding June 30, 2013	Due in 2013-2014
Governmental Activities:									
Refunding Installment Purchase Agreement	6/29/12	2.38%	12/01/2025	\$ 4,010,000	\$4,010,000	\$ -	\$(84,000)	\$3,926,000	\$86,000
Compensated absences payable*					80,039	96,202	(61,505)	114,737	58,979
Total Governmental Activities					<u>4,090,039</u>	<u>96,202</u>	<u>(145,505)</u>	<u>4,040,737</u>	<u>144,979</u>
*Payments on the notes payable that pertain to the City's governmental activities are made by the General Fund. The compensated absence liability is paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.									
Business-type Activities:									
State Water Pollution Control Revolving Fund	10/28/92	4.00%	6/30/2012	\$ 2,000,000	76,912	-	(76,912)	-	-
2007 Water/Sewer Bonds	3/28/07	4% - 5%	2/01/2037	\$50,000,000	46,485,000	-	(980,000)	45,505,000	1,030,000
2008 Water/Sewer Bonds	4/01/08	3.25% - 5%	2/01/2038	\$32,600,000	30,625,000	-	(695,000)	29,930,000	715,000
					<u>77,186,912</u>	<u>-</u>	<u>(1,751,912)</u>	<u>75,435,000</u>	<u>1,745,000</u>
Unamortized Bond Discount/(Premium)					49,340	-	(3,505)	45,835	2,485
Compensated absences payable					86,060	59,689	(69,305)	76,444	66,511
Total Business-type Activities					<u>77,322,312</u>	<u>59,689</u>	<u>(1,824,722)</u>	<u>75,557,279</u>	<u>1,813,996</u>
Total Long-Term Debt					<u>\$ 81,412,351</u>	<u>\$ 155,891</u>	<u>\$ (1,970,227)</u>	<u>\$ 79,598,016</u>	<u>\$ 1,958,975</u>

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
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The following schedule reflects debt service requirements to maturity of the City's long-term debt:

Debt Supported by General Obligation			Debt Supported by Sewer Fund Revenues		Debt Supported by Water Fund Revenues		Total Requirements to Maturity	
Fiscal Year	Principal	Interest	Principal*	Interest*	Principal*	Interest*	Principal	Interest
2014	\$ 86,000	\$ 92,415	\$ 168,131	\$ 34,810	\$ 1,576,869	\$ 3,145,884	\$1,831,000.00	\$3,273,109.00
2015	280,000	88,060	175,548	328,359	1,644,452	3,086,110	2,100,000	3,502,529
2016	286,000	81,325	183,516	321,550	1,716,484	3,022,894	2,186,000	3,425,769
2017	293,000	74,435	191,483	312,374	1,788,517	2,937,070	2,273,000	3,323,879
2018	301,000	67,366	200,383	302,800	1,869,617	2,847,644	2,371,000	3,217,810
2019-2023	1,615,000	224,660	1,151,361	1,362,775	10,708,639	12,853,388	13,475,000	14,440,823
2024-2028	1,065,000	38,401	1,452,432	1,071,494	13,462,568	10,151,413	15,980,000	11,261,308
2029-2033	-	-	1,834,027	704,224	16,970,973	6,704,751	18,805,000	7,408,975
2034-2038	-	-	1,943,914	242,206	18,396,086	2,371,979	20,340,000	2,614,185
Total	\$ 3,926,000	\$ 666,662	\$ 7,300,795	\$ 4,680,592	\$ 68,134,205	\$ 47,121,133	\$ 79,361,000	\$ 52,468,387

* Exclusive of unamortized premium and issuance costs.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – POSTEMPLOYMENT RETIREMENT HEALTH INSURANCE BENEFIT:

Plan Descriptions: The City administers a single-employer defined benefit healthcare plan, City of Fernley Employee Health Benefits Plan (COFEHBP). Additionally, the City contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees' Benefits Plan (PEBP). Each plan provides medical, vision, dental, and life insurance benefits to eligible retired City employees and beneficiaries.

Benefit provisions for the COFEHBP are established pursuant to NRS 287.023 and amended through negotiations between the City and the respective associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Commissioners. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the City's group health insurance plan, which covers both active and retired members. Under NRS 287.023, eligible retirees are able to participate in the plan with blended rates, thereby benefitting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2013, one City retiree was utilizing this benefit. The COFEHBP does not issue a publicly available financial report.

Benefit provisions for the PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. City employees who met the eligibility requirements effective September 1, 2008 for retirement within the Nevada Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 sunsetted the option to join PEBP for City employees who retired from the City after November 29, 2008. Local governments are required to pay the same portion of the cost of coverage for their retirees joining PEBP that the State of Nevada pays for state retirees participating in the plan. As of June 30, 2013, five City retirees were utilizing this benefit.

Funding Policy: For COFEHBP, contribution requirements of the plan members and the City are established and may be amended through negotiations between the City and the associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. The City's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted for by the City. The implicit subsidy as determined by the actuary is \$6,134 for fiscal year 2013. The City did not prefund any future benefits.

For the PEBP, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired City employees. The contribution requirements of plan members and the City may be amended by the PEBP board. Premium rates determined by PEBP are the same for all participating members. Plan members receiving benefits have their monthly contribution deducted from their pension checks based on the health plan chosen by the retiree, as reduced by the amount of the subsidy; therefore, their contributions are not available. For the plan year ended June 30, 2013, City retirees qualified for a subsidy of \$118 at five years of service and \$650 at twenty years of service, with incremental increases for years of service in between. As a participating employer, the City is billed for the subsidy on a monthly basis and is legally required to provide for it. For fiscal year 2013, the City contributed \$11,834 to the plan, equal to required contributions. The City did not prefund future benefits.

CITY OF FERNLEY, NEVADA
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Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) cost (expense) for the plans is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations, by plan, for fiscal years 2012-13, 2011-12, and 2010-11 were as follows:

	Fiscal Year End	Annual OPEB Cost (Entry Age Normal Cost Method)	Employer Contributions	Percentage of Annual OPEB Contributed	Net OPEB Obligation
COFEHBP	June 30, 2013	\$ 89,396	\$ 6,134	7%	\$ 390,547
COFEHBP	June 30, 2012	110,191	-	0%	307,285
COFEHBP	June 30, 2011	102,281	-	0%	197,094
PEBP	June 30, 2013	9,848	11,834	120%	23,509
PEBP	June 30, 2012	24,323	11,048	45%	25,495
PEBP	June 30, 2011	24,056	17,049	71%	12,220
Combined Totals	June 30, 2013	99,244	17,968	-	414,056
Combined Totals	June 30, 2012	134,514	11,048	-	332,780
Combined Totals	June 30, 2011	126,337	17,049	-	209,314

CITY OF FERNLEY, NEVADA
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The net OPEB obligation (NOPEBO) as of June 30, 2013, was calculated as follows:

	<u>COFEHBP</u>	<u>PEBP</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 90,487	\$ 10,389	\$ 100,876
Interest on net OPEB obligation	12,291	1,020	13,311
Adjustment to annual required contribution	<u>(13,382)</u>	<u>(1,561)</u>	<u>(14,943)</u>
Annual OPEB Cost	89,396	9,848	99,244
Less: Contributions made	<u>6,134</u>	<u>11,834</u>	<u>17,968</u>
Increase (decrease) in net OPEB obligation	83,262	(1,986)	81,276
Net OPEB obligation – beginning of the year	<u>307,285</u>	<u>25,495</u>	<u>332,780</u>
Net OPEB obligation – end of year	<u><u>\$ 390,547</u></u>	<u><u>\$ 23,509</u></u>	<u><u>\$ 414,056</u></u>

Funded Status and Funding Progress: The funded status of the plans as the most recent actuarial valuation was as follows:

	<u>COFEHBP</u>	<u>PEBP</u>	<u>Total</u>
Accrued actuarial liability (a)	\$ 478,957	\$ 173,049	\$ 652,006
Actuarial value of plan assets (b)	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability (a) – (b)	<u>\$ 478,957</u>	<u>\$ 173,049</u>	<u>\$ 652,006</u>
Funded Ratio (b) / (a)	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered payroll (c)	<u><u>\$ 2,551,806</u></u>	<u>N/A</u>	
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll ((a) – (b)) / (c))	<u><u>19%</u></u>	<u>N/A</u>	

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multiyear information will be provided as it becomes available.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets.

Significant methods and assumptions used in the June 30, 2013 actuarial valuation were as follows:

	COFEHBP	PEBP
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Pay	Level Dollar
Amortization period (open)	27 years (closed)	27 years (closed)
Asset valuation method	Market Value	Market Value
Actuarial Assumptions:		
Projected general inflation rate	3%	3%
Investment rate of return	4%	4%
Projected overall salary increase	4%	4%
Medical Healthcare inflation rate*	9% – 5%	9% – 5%

* Actual medical premiums used in 2013,
9% decreasing each year by .5%
until 5% is reached in 2021.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – RISK MANAGEMENT:

The City, like any governmental entity, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries of employees; and natural disasters.

The City has joined together with similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Insurance Pool (Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members.

The City pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$10,000,000 per event and a \$13,000,000 general aggregate per member.

The City has also joined together with similar public agencies, under the Nevada Interlocal Cooperation Act, to create an intergovernmental self-insured association for workers compensation insurance, the Public Agency Compensation Trust (PACT).

The City pays premiums based on payroll costs to the PACT. The PACT is considered a self-sustaining pool that will provide coverage based on established statutory limits.

The City continues to carry commercial insurance for other risks of loss, including specific risks of loss not covered by the Pool, including bonding and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage for the past three years.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

There are lawsuits and unresolved disputes involving the City or its employees in which the City is represented by outside counsel. However, in the opinion of the outside counsel, these actions will not, in aggregate, have a material adverse effect upon the operations or financial position of the City.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

Management identified the following errors in the June 30, 2012 financial statements:

- Reimbursable expenditures from the Regional Transportation Commission of \$332,379 were incurred by the General Fund in the prior year. A receivable for this amount was not accrued at June 30, 2012.
- \$17,782 of grants awarded in the prior year by the nonmajor transient lodging tax fund were not properly accrued at June 30, 2012.
- \$59,226 of duplicate bond costs were recorded in the nonmajor capital projects fund at June 30, 2012.

CITY OF FERNLEY, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The effects of the above errors to the Governmental Funds at June 30, 2012, were as follows:

Governmental Activities – Government-Wide

	Increase <u>(Decrease)</u>
Change in Net Position at June 30, 2012	\$373,823
Beginning Net Position, July 1, 2012	\$373,823

General Fund

	Increase <u>(Decrease)</u>
Change in Net Position at June 30, 2012	\$332,379
Beginning Net Position, July 1, 2012	\$332,379

Nonmajor Governmental Funds

	Increase <u>(Decrease)</u>
Change in Net Position at June 30, 2012	\$41,444
Beginning Net Position, July 1, 2012	\$41,444

CITY OF FERNLEY, NEVADA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
(Page 1 of 3)

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>ORIGINAL TO FINAL</u>	<u>FINAL TO ACTUAL</u>
REVENUES					
Taxes:					
Ad valorem	\$ 1,980,324	\$ 1,980,324	\$ 1,909,538	\$ -	\$ (70,786)
Licenses and permits:					
Business licenses	200,000	200,000	213,958	-	13,958
Franchise fees	1,300,000	1,300,000	1,090,570	-	(209,430)
Liquor licenses	25,000	25,000	38,137	-	13,137
City gaming licenses	100,000	100,000	104,761	-	4,761
Building permits and fees	70,000	70,000	100,680	-	30,680
Planning/zoning permits and fees	15,000	15,000	14,450	-	(550)
Public works fees	12,000	12,000	4,944	-	(7,056)
Other permits	10,500	10,500	10,929	-	429
	<u>1,732,500</u>	<u>1,732,500</u>	<u>1,578,429</u>	<u>-</u>	<u>(154,071)</u>
Intergovernmental revenues:					
Consolidated tax distribution	130,955	130,955	132,962	-	2,007
Motor vehicle fuel tax	281,689	281,689	292,483	-	10,794
RTC shared revenue	170,000	170,000	3,124	-	(166,876)
Fernley park agreement	60,000	60,000	60,000	-	-
	<u>642,644</u>	<u>642,644</u>	<u>488,569</u>	<u>-</u>	<u>(154,075)</u>
Fines and forfeits:					
Community service fee	300	300	593	-	293
Municipal court fines	150,000	150,000	74,653	-	(75,347)
Municipal court fees	7,000	7,000	10,392	-	3,392
	<u>157,300</u>	<u>157,300</u>	<u>85,638</u>	<u>-</u>	<u>(71,662)</u>
Miscellaneous:					
Interest	1,000	1,000	6,266	-	5,266
Park development	3,500	-	950	(3,500)	950
Miscellaneous	93,800	97,300	105,356	3,500	8,056
	<u>98,300</u>	<u>98,300</u>	<u>112,572</u>	<u>-</u>	<u>14,272</u>
Total Revenues	<u>4,611,068</u>	<u>4,611,068</u>	<u>4,174,746</u>	<u>-</u>	<u>(436,322)</u>
EXPENDITURES					
General government:					
Finance:					
Salaries and wages	55,985	55,985	64,003	-	(8,018)
Employee benefits	23,471	23,471	18,421	-	5,050
Services and supplies	83,240	103,240	100,613	20,000	2,627
Total Finance	<u>162,696</u>	<u>182,696</u>	<u>183,037</u>	<u>20,000</u>	<u>(341)</u>
Information Technology:					
Salaries and wages	52,244	54,244	55,716	2,000	(1,472)
Employee benefits	16,818	16,818	20,876	-	(4,058)
Services and supplies	50,000	73,000	66,298	23,000	6,702
Total Information Technology	<u>119,062</u>	<u>144,062</u>	<u>142,890</u>	<u>25,000</u>	<u>1,172</u>

CITY OF FERNLEY, NEVADA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013
(Page 2 of 3)

	BUDGET		ACTUAL	VARIANCE WITH	
	ORIGINAL	FINAL		ORIGINAL TO FINAL	FINAL TO ACTUAL
Office of the City Clerk:					
Salaries and wages	\$ 157,437	\$ 139,437	\$ 97,979	\$ (18,000)	\$ 41,458
Employee benefits	69,853	69,853	47,292	-	22,561
Services and supplies	11,450	11,450	17,936	-	(6,486)
Total City Clerk	238,740	220,740	163,207	(18,000)	57,533
Office of the City Manager:					
Salaries and wages	243,282	249,582	205,433	6,300	44,149
Employee benefits	94,808	94,808	83,980	-	10,828
Services and supplies	159,550	143,250	179,215	(16,300)	(35,965)
Total City Manager	497,640	487,640	468,628	(10,000)	19,012
Office of the City Attorney:					
Salaries and wages	155,013	155,013	157,441	-	(2,428)
Employee benefits	60,741	60,741	59,665	-	1,076
Services and supplies	63,000	63,000	36,671	-	26,329
Total City Attorney	278,754	278,754	253,777	-	24,977
Mayor/City Council:					
Salaries and wages	72,281	72,281	70,203	-	2,078
Employee benefits	15,662	15,662	12,863	-	2,799
Services and supplies	25,300	25,300	23,783	-	1,517
Total Mayor/City Council	113,243	113,243	106,849	-	6,394
Facilities (City Hall) & General:					
Salaries and wages	105,477	105,477	108,091	-	(2,614)
Employee benefits	47,727	47,727	42,013	-	5,714
Services and supplies	204,888	204,888	197,006	-	7,882
Total City Hall	358,092	358,092	347,110	-	10,982
Streets and Public Works					
Salaries and wages	232,016	202,016	207,743	(30,000)	(5,727)
Employee benefits	78,397	78,397	93,047	-	(14,650)
Services and supplies	356,200	321,200	309,719	(35,000)	11,481
Capital outlay	170,000	25,000	15,905	(145,000)	9,095
Total Streets and Public Works	836,613	626,613	626,414	(210,000)	199
Total General Government	2,604,840	2,411,840	2,291,912	(193,000)	119,928
Judicial:					
Municipal Court:					
Salaries and wages	111,596	111,596	98,081	-	13,515
Employee benefits	55,379	55,379	47,352	-	8,027
Services and supplies	35,000	35,000	56,185	-	(21,185)
Total Judicial	201,975	201,975	201,618	-	357
Culture and Recreation:					
Parks:					
Salaries and wages	222,451	222,451	227,049	-	(4,598)
Employee benefits	77,280	77,280	79,152	-	(1,872)
Services and supplies	283,070	290,620	345,190	7,550	(54,570)
Capital outlay	-	142,450	40,624	142,450	101,826
Total Culture and Recreation	582,801	732,801	692,015	150,000	40,786

CITY OF FERNLEY, NEVADA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

(Page 3 of 3)

	BUDGET		ACTUAL	VARIANCE WITH	
	ORIGINAL	FINAL		ORIGINAL TO FINAL	FINAL TO ACTUAL
Community Development:					
Building:					
Salaries and wages	\$ 151,781	\$ 141,781	\$ 125,994	\$ (10,000)	\$ 15,787
Employee benefits	54,318	54,318	37,337	-	16,981
Services and supplies	12,550	12,550	9,431	-	3,119
Total Building	<u>218,649</u>	<u>208,649</u>	<u>172,762</u>	<u>(10,000)</u>	<u>35,887</u>
Planning:					
Salaries and wages	146,474	156,474	158,358	10,000	(1,884)
Employee benefits	58,741	58,741	58,060	-	681
Services and supplies	16,446	16,446	8,383	-	8,063
Total Planning	<u>221,661</u>	<u>231,661</u>	<u>224,801</u>	<u>10,000</u>	<u>6,860</u>
Total Community Development	<u>440,310</u>	<u>440,310</u>	<u>397,563</u>	<u>-</u>	<u>42,747</u>
Health:					
Animal Control:					
Salaries and wages	38,049	45,049	39,810	7,000	5,239
Employee benefits	14,408	17,408	18,400	3,000	(992)
Services and supplies	13,000	13,000	9,707	-	3,293
Total Animal Control	<u>65,457</u>	<u>75,457</u>	<u>67,917</u>	<u>10,000</u>	<u>7,540</u>
Vector Control:					
Salaries and wages	24,708	28,708	30,359	4,000	(1,651)
Employee benefits	8,077	8,077	7,565	-	512
Services and supplies	69,762	70,762	70,682	1,000	80
Total Vector Control	<u>102,547</u>	<u>107,547</u>	<u>108,606</u>	<u>5,000</u>	<u>(1,059)</u>
Total Health	<u>168,004</u>	<u>183,004</u>	<u>176,523</u>	<u>15,000</u>	<u>6,481</u>
Debt Service:					
Principal	207,000	207,000	84,000	-	123,000
Interest	172,079	172,079	87,015	-	85,064
Total Debt Service	<u>379,079</u>	<u>379,079</u>	<u>171,015</u>	<u>-</u>	<u>208,064</u>
Total Expenditures	<u>4,377,009</u>	<u>4,349,009</u>	<u>3,930,646</u>	<u>(28,000)</u>	<u>418,363</u>
Excess of Revenues Over Expenditures	<u>234,059</u>	<u>262,059</u>	<u>244,100</u>	<u>28,000</u>	<u>(17,959)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(110,000)	(110,000)	-	-	110,000
Contingency	100,000	100,000	-	-	(100,000)
Proceeds from insurance	-	-	40,625	-	40,625
Total Other Financing Sources	<u>(10,000)</u>	<u>(10,000)</u>	<u>40,625</u>	<u>-</u>	<u>50,625</u>
Net Change in Fund Balance	<u>224,059</u>	<u>252,059</u>	<u>284,725</u>	<u>28,000</u>	<u>32,666</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	1,679,397	1,679,397	1,790,530	-	111,133
PRIOR PERIODS ADJUSTMENTS	-	-	332,379	-	332,379
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>1,679,397</u>	<u>1,679,397</u>	<u>2,122,909</u>	<u>-</u>	<u>443,512</u>
FUND BALANCE, JUNE 30	<u>\$ 1,903,456</u>	<u>\$ 1,931,456</u>	<u>\$ 2,407,634</u>	<u>\$ 28,000</u>	<u>\$ 476,178</u>

CITY OF FERNLEY, NEVADA
RECONCILIATION OF THE GENERAL FUND (BUDGETARY BASIS) TO THE GENERAL FUND (GAAP BASIS)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	GENERAL FUND (BUDGETARY BASIS)	INTERNALLY REPORT FUND RESIDENTIAL CONSTRUCTION TAX DISTRICT #1 FUND	GENERAL FUND AS REPORTED ON STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (GAAP BASIS)
REVENUES			
Taxes	\$ 1,909,538	\$ -	\$ 1,909,538
Licenses and permits	1,578,429	-	1,578,429
Intergovernmental	488,569	-	488,569
Fines and forfeits	85,638	-	85,638
Miscellaneous	112,572	2	112,574
Total Revenues	<u>4,174,746</u>	<u>2</u>	<u>4,174,748</u>
EXPENDITURES			
Current:			
General government	2,276,007	-	2,276,007
Judicial	201,618	-	201,618
Culture and recreation	651,391	-	651,391
Community development	397,563	-	397,563
Health	176,523	-	176,523
Total Current	<u>3,703,102</u>	<u>-</u>	<u>3,703,102</u>
Debt service:			
Principal	84,000	-	84,000
Interest	87,015	-	87,015
Total Debt Service	<u>171,015</u>	<u>-</u>	<u>171,015</u>
Capital outlay:			
General government	15,905	-	15,905
Culture and recreation	40,624	-	40,624
Total Capital Outlay	<u>56,529</u>	<u>-</u>	<u>56,529</u>
Total Expenditures	<u>3,930,646</u>	<u>-</u>	<u>3,930,646</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	244,100	2	244,102
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance	40,625	-	40,625
Net Change in Fund Balance	<u>284,725</u>	<u>2</u>	<u>284,727</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	1,790,530	800	1,791,330
PRIOR PERIOD ADJUSTMENTS	332,379	-	332,379
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>2,122,909</u>	<u>800</u>	<u>2,123,709</u>
FUND BALANCE, JUNE 30	<u>\$ 2,407,634</u>	<u>\$ 802</u>	<u>\$ 2,408,436</u>

See accompanying notes to required supplementary information.

**CITY OF FERNLEY, NEVADA
GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>	
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>ORIGINAL TO FINAL</u>	<u>FINAL TO ACTUAL</u>
REVENUES					
Intergovernmental:					
Grant	\$ 3,484,397	\$ 3,484,497	\$ 1,179,992	\$ 100	\$ (2,304,505)
Miscellaneous:					
Other	-	-	541	-	541
Interest earnings	100	-	-	(100)	-
Total Revenues	<u>3,484,497</u>	<u>3,484,497</u>	<u>1,180,533</u>	<u>-</u>	<u>(2,303,964)</u>
EXPENDITURES					
Public Works:					
Services and supplies	3,379,724	3,379,724	1,084,441	-	2,295,283
Capital outlay	-	-	45,661	-	(45,661)
Total Expenditures	<u>3,379,724</u>	<u>3,379,724</u>	<u>1,130,102</u>	<u>-</u>	<u>2,249,622</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	104,773	104,773	50,431	-	(54,342)
FUND BALANCE, JULY 1	<u>118,133</u>	<u>64,234</u>	<u>64,234</u>	<u>(53,899)</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 222,906</u>	<u>\$ 169,007</u>	<u>\$ 114,665</u>	<u>\$ (53,899)</u>	<u>\$ (54,342)</u>

CITY OF FERNLEY, NEVADA
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLANS
FOR THE YEAR ENDED JUNE 30, 2013

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) - Entry Age Normal Cost (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
COFEHBP	January 1, 2013	\$ -	\$ 478,957	\$ 478,957	0%	\$ 2,551,806	19%
PEBP*	January 1, 2013	-	173,049	173,049	0%	N/A	N/A
COFEHBP	June 30, 2010	-	301,357	301,357	0%	2,494,167	12%
PEBP*	June 30, 2010	-	420,276	420,276	0%	N/A	N/A

Multi-year data will be provided as it becomes available.

* The option to join the State plan was sunsetted for City employees effective November 29, 2008.

Significant changes in the AAL between June 30, 2010 and January 1, 2013 actuarial valuations include:

- PEBP - change in required subsidy for PEBP retirees effective July 1, 2011, decrease of 2 members receiving a subsidy and update in the mortality assumptions.
- COFEHBP - updates to employee and premium data, updates to assumed rates of retirement, termination and mortality, and updates to trend assumptions for future increase in medical premiums.

CITY OF FERNLEY, NEVADA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

The accompanying Reconciliation of the General Fund (Budgetary Basis) to the General Fund (GAAP Basis) presents balances combined for external reporting purposes.

Budget to actual comparisons are presented for all funds of the City, as required by Nevada Revised Statutes. Such budget comparisons are required to be presented using the budget as adopted, and approved by the State of Nevada Department of Taxation. However, guidance provided in governmental accounting standards specify that one of these internally reported funds of the City of Fernley, not meeting the definition of a special revenue fund, does not qualify to be separately presented for external reporting purposes.

This internally reported fund of the City (Residential Construction Tax District #1 Fund) is combined with the General Fund for external reporting purposes.

CITY OF FERNLEY, NEVADA
RECONCILIATION OF THE GENERAL FUND (BUDGETARY BASIS) TO THE GENERAL FUND (GAAP BASIS)
COMBINING BALANCE SHEET
JUNE 30, 2013

	GENERAL FUND (BUDGETARY BASIS)	INTERNALLY REPORTED FUND RESIDENTIAL CONSTRUCTION TAX DISTRICT #1 FUND	GENERAL FUND AS REPORTED ON BALANCE SHEET (GAAP BASIS)
ASSETS			
Cash and investments	\$ 2,413,626	\$ 802	\$ 2,414,428
Interest receivable	9,345	-	9,345
Taxes receivable	40,353	-	40,353
Accounts receivable	243,354	-	243,354
Due from other governments	23,027	-	23,027
Due to other funds	33,920	-	33,920
	<u>2,763,625</u>	<u>802</u>	<u>2,764,427</u>
Total Assets	<u>\$ 2,763,625</u>	<u>\$ 802</u>	<u>\$ 2,764,427</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 151,891	\$ -	\$ 151,891
Due to developers	131,892	-	131,892
Due to other governments	496	-	496
Deferred revenue	71,712	-	71,712
	<u>355,991</u>	<u>-</u>	<u>355,991</u>
Total Liabilities	<u>355,991</u>	<u>-</u>	<u>355,991</u>
Fund Balance:			
Restricted:			
Future development	327,747	-	327,747
Specified purpose	13,576	-	13,576
Capital projects	-	802	802
Assigned	1,449,207	-	1,449,207
Unassigned	617,104	-	617,104
	<u>2,407,634</u>	<u>802</u>	<u>2,408,436</u>
Total Fund Balance	<u>2,407,634</u>	<u>802</u>	<u>2,408,436</u>
Total Liabilities and Fund Balance	<u>\$ 2,763,625</u>	<u>\$ 802</u>	<u>\$ 2,764,427</u>

**CITY OF FERNLEY, NEVADA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL
ASSETS			
Cash and investments	\$ 636,094	\$ 851,941	\$ 1,488,035
Accounts receivable	3,850	-	3,850
Due from other governments	26,988	-	26,988
Prepaid expenses	-	22,177	22,177
	\$ 666,932	\$ 874,118	\$ 1,541,050
Total Assets	\$ 666,932	\$ 874,118	\$ 1,541,050
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued liabilities	\$ 19,829	\$ 1,417	\$ 21,246
Fund Balance:			
Nonspendable	-	22,177	22,177
Restricted:			
Court administration and graffiti abatement - NRS 268.4085	24,780	-	24,780
Court fees - NRS 176.0611	78,532	-	78,532
Capital projects	-	41,723	41,723
Committed:			
Convention center	379,458	-	379,458
Capital projects	-	808,801	808,801
Assigned	164,333	-	164,333
	647,103	872,701	1,519,804
Total Fund Balance	647,103	872,701	1,519,804
Total Liabilities and Fund Balance	\$ 666,932	\$ 874,118	\$ 1,541,050

CITY OF FERNLEY, NEVADA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL
REVENUES			
Taxes:			
Transient lodging tax	\$ 253,164	\$ -	\$ 253,164
Ad Valorem	-	1,546	1,546
	<u>253,164</u>	<u>1,546</u>	<u>254,710</u>
Fines and forfeits:			
Municipal administrative fees	10,196	-	10,196
Miscellaneous:			
Interest earnings	1,723	4,342	6,065
Miscellaneous	-	8,471	8,471
	<u>1,723</u>	<u>12,813</u>	<u>14,536</u>
Total Revenues	<u>265,083</u>	<u>14,359</u>	<u>279,442</u>
EXPENDITURES			
Judicial:			
Services and supplies	13,678	-	13,678
Capital outlay	16,793	-	16,793
	<u>30,471</u>	<u>-</u>	<u>30,471</u>
Culture and Recreation:			
Services and supplies	94,014	-	94,014
Public Works:			
Services and supplies	-	1,826	1,826
Capital outlay	-	185,072	185,072
	<u>-</u>	<u>186,898</u>	<u>186,898</u>
Total Expenditures	<u>124,485</u>	<u>186,898</u>	<u>311,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>140,598</u>	<u>(172,539)</u>	<u>(31,941)</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	524,287	986,014	1,510,301
PRIOR PERIOD ADJUSTMENT	<u>(17,782)</u>	<u>59,226</u>	<u>41,444</u>
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>506,505</u>	<u>1,045,240</u>	<u>1,551,745</u>
FUND BALANCE, JUNE 30	<u>\$ 647,103</u>	<u>\$ 872,701</u>	<u>\$ 1,519,804</u>

**CITY OF FERNLEY, NEVADA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	MUNICIPAL COURT ADMINISTRATIVE FEES FUND	MUNICIPAL COURT FACILITIES FEES FUND	TRANSIENT LODGING TAX FUND	TOTAL
ASSETS				
Cash and investments	\$ 23,153	\$ 76,320	\$ 536,621	\$ 636,094
Accounts receivable	1,638	2,212	-	3,850
Due from other governments	-	-	26,988	26,988
Total Assets	\$ 24,791	\$ 78,532	\$ 563,609	\$ 666,932
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 11	\$ -	\$ 19,818	\$ 19,829
Fund Balance:				
Restricted:				
Court administration and graffiti abatement - NRS 268.4085	24,780	-	-	24,780
Court fees - NRS 176.0611	-	78,532	-	78,532
Committed - Convention Center	-	-	379,458	379,458
Assigned	-	-	164,333	164,333
Total Fund Balance	24,780	78,532	543,791	647,103
Total Liabilities and Fund Balance	\$ 24,791	\$ 78,532	\$ 563,609	\$ 666,932

CITY OF FERNLEY, NEVADA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	MUNICIPAL COURT ADMINISTRATIVE FEES FUND	MUNICIPAL COURT FACILITIES FEES FUND	TRANSIENT LODGING TAX FUND	TOTAL
REVENUES				
Taxes:				
Transient lodging tax	\$ -	\$ -	\$ 253,164	\$ 253,164
Fines and forfeits:				
Municipal administrative fees	4,229	5,967	-	10,196
Miscellaneous:				
Interest earnings	90	267	1,366	1,723
Total Revenues	<u>4,319</u>	<u>6,234</u>	<u>254,530</u>	<u>265,083</u>
EXPENDITURES				
Judicial:				
Services and supplies	12,895	783	-	13,678
Capital outlay	-	16,793	-	16,793
	12,895	17,576	-	30,471
Culture and Recreation:				
Services and supplies	-	-	94,014	94,014
Total Expenditures	<u>12,895</u>	<u>17,576</u>	<u>94,014</u>	<u>124,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,576)</u>	<u>(11,342)</u>	<u>160,516</u>	<u>140,598</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	33,356	89,874	401,057	524,287
PRIOR PERIOD ADJUSTMENT	-	-	(17,782)	(17,782)
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>33,356</u>	<u>89,874</u>	<u>383,275</u>	<u>506,505</u>
FUND BALANCE, JUNE 30	<u>\$ 24,780</u>	<u>\$ 78,532</u>	<u>\$ 543,791</u>	<u>\$ 647,103</u>

**CITY OF FERNLEY, NEVADA
MUNICIPAL COURT ADMINISTRATIVE FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Fines and forfeits:			
Municipal administrative fees	\$ 11,000	\$ 4,229	\$ (6,771)
Miscellaneous:			
Interest earnings	<u>50</u>	<u>90</u>	<u>40</u>
Total Revenues	11,050	4,319	(6,731)
EXPENDITURES			
Judicial:			
Services and supplies	<u>18,000</u>	<u>12,895</u>	<u>5,105</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,950)	(8,576)	(1,626)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	(26,950)	(8,576)	18,374
FUND BALANCE, JULY 1	<u>33,356</u>	<u>33,356</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 6,406</u>	<u>\$ 24,780</u>	<u>\$ 18,374</u>

**CITY OF FERNLEY, NEVADA
MUNICIPAL COURT FACILITY FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Fines and forfeits:			
Municipal administrative fees	\$ 16,000	\$ 5,967	\$ (10,033)
Miscellaneous:			
Interest earnings	<u>80</u>	<u>267</u>	<u>187</u>
Total Revenues	<u>16,080</u>	<u>6,234</u>	<u>(9,846)</u>
EXPENDITURES			
Judicial:			
Services and supplies	-	783	(783)
Capital outlay	<u>18,000</u>	<u>16,010</u>	<u>1,990</u>
Total Expenditures	<u>18,000</u>	<u>16,793</u>	<u>1,207</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,920)	(10,559)	(8,639)
FUND BALANCE, JULY 1	<u>89,874</u>	<u>89,874</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 87,954</u></u>	<u><u>\$ 79,315</u></u>	<u><u>\$ (8,639)</u></u>

**CITY OF FERNLEY, NEVADA
TRANSIENT LODGING TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes:			
Transient lodging tax	\$ 250,000	\$ 253,164	\$ 3,164
Miscellaneous:			
Interest earnings	<u>250</u>	<u>1,366</u>	<u>1,116</u>
Total Revenues	250,250	254,530	4,280
EXPENDITURES			
Culture and recreation:			
Services and supplies	<u>97,200</u>	<u>94,014</u>	<u>3,186</u>
Net Change in Fund Balance	<u>153,050</u>	<u>160,516</u>	<u>7,466</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	440,133	401,057	(39,076)
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(17,782)</u>	<u>(17,782)</u>
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>440,133</u>	<u>383,275</u>	<u>(56,858)</u>
FUND BALANCE, JUNE 30	<u>\$ 593,183</u>	<u>\$ 543,791</u>	<u>\$ (49,392)</u>

**CITY OF FERNLEY, NEVADA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	<u>CAPITAL PROJECTS FUND</u>	<u>CAPITAL IMPROVEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 810,218	\$ 41,723	\$ 851,941
Prepaid Expenses	<u>22,177</u>	<u>-</u>	<u>22,177</u>
Total Assets	<u>\$ 832,395</u>	<u>\$ 41,723</u>	<u>\$ 874,118</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued liabilities	<u>\$ 1,417</u>	<u>\$ -</u>	<u>\$ 1,417</u>
Fund Balance:			
Nonspendable	22,177	-	22,177
Restricted:			
Capital projects	-	41,723	41,723
Committed	<u>808,801</u>	<u>-</u>	<u>808,801</u>
Total Fund Balance	<u>830,978</u>	<u>41,723</u>	<u>872,701</u>
Total Liabilities and Fund Balance	<u>\$ 832,395</u>	<u>\$ 41,723</u>	<u>\$ 874,118</u>

CITY OF FERNLEY, NEVADA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2013

	CAPITAL PROJECTS FUND	CAPITAL IMPROVEMENT FUND	TOTAL
REVENUES			
Taxes:			
Ad Valorem	\$ -	\$ 1,546	\$ 1,546
Miscellaneous:			
Interest earnings	2,990	1,352	4,342
Miscellaneous	8,471	-	8,471
	<u>11,461</u>	<u>1,352</u>	<u>12,813</u>
Total Revenues	<u>11,461</u>	<u>2,898</u>	<u>14,359</u>
EXPENDITURES			
Public Works:			
Services and supplies	1,826	-	1,826
Capital outlay	185,072	-	185,072
	<u>186,898</u>	<u>-</u>	<u>186,898</u>
Net Change in Fund Balance	<u>(175,437)</u>	<u>2,898</u>	<u>(172,539)</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	947,189	38,825	986,014
PRIOR PERIOD ADJUSTMENT	59,226	-	59,226
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>1,006,415</u>	<u>38,825</u>	<u>1,045,240</u>
FUND BALANCE, JUNE 30	<u>\$ 830,978</u>	<u>\$ 41,723</u>	<u>\$ 872,701</u>

**CITY OF FERNLEY, NEVADA
NONMAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Miscellaneous:			
Interest earnings	\$ 1,000	\$ 2,990	\$ 1,990
Miscellaneous	-	8,471	8,471
	<u>1,000</u>	<u>11,461</u>	<u>10,461</u>
Total Revenues			
EXPENDITURES			
Public Works:			
Services and supplies	-	1,826	(1,826)
Capital outlay	595,000	185,072	409,928
	<u>595,000</u>	<u>186,898</u>	<u>408,102</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(594,000)</u>	<u>(175,437)</u>	<u>418,563</u>
FUND BALANCE AT JULY 1, AS PREVIOUSLY REPORTED	934,356	947,189	12,833
PRIOR PERIOD ADJUSTMENT	-	59,226	59,226
FUND BALANCE AT JULY 1, AS ADJUSTED	<u>934,356</u>	<u>1,006,415</u>	<u>72,059</u>
FUND BALANCE, JUNE 30	<u>\$ 340,356</u>	<u>\$ 830,978</u>	<u>\$ 490,622</u>

**CITY OF FERNLEY, NEVADA
NONMAJOR CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Ad Valorem	\$ 2,000	\$ 1,546	\$ (454)
Miscellaneous:			
Interest earnings	40	1,352	1,312
Total Revenues	2,040	2,898	858
FUND BALANCE, JULY 1	39,110	38,825	(285)
FUND BALANCE, JUNE 30	\$ 41,150	\$ 41,723	\$ 573

**CITY OF FERNLEY, NEVADA
WATER UTILITY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES			
User fees	\$ 4,800,000	\$ 4,925,752	\$ 125,752
Bond debt fee	<u>3,143,022</u>	<u>3,345,781</u>	<u>202,759</u>
Total Operating Revenues	<u>7,943,022</u>	<u>8,271,533</u>	<u>328,511</u>
OPERATING EXPENSES			
Salaries and wages	803,157	803,456	(299)
Employee benefits	314,253	311,139	3,114
Services and supplies	1,914,452	1,703,871	210,581
Depreciation	<u>3,240,000</u>	<u>3,230,816</u>	<u>9,184</u>
Total Operating Expenses	<u>6,271,862</u>	<u>6,049,282</u>	<u>222,580</u>
Operating Income (Loss)	<u>1,671,160</u>	<u>2,222,251</u>	<u>551,091</u>
NONOPERATING REVENUE (EXPENSE)			
Interest earned on investments	1,500	12,910	11,410
In lieu of water rights fees	5,000	-	(5,000)
Miscellaneous revenue	260,000	346,183	86,183
Miscellaneous expense	-	(4,384)	(4,384)
Interest expense	<u>(3,203,231)</u>	<u>(3,231,326)</u>	<u>(28,095)</u>
Total Nonoperating Revenue (Expense)	<u>(2,936,731)</u>	<u>(2,876,617)</u>	<u>60,114</u>
Income (Loss) Before Capital Contributions	<u>(1,265,571)</u>	<u>(654,366)</u>	<u>611,205</u>
CAPITAL CONTRIBUTIONS			
Customer connection fees	-	6,995	6,995
Developer agreements	-	3,709	3,709
Developer contributed water rights	<u>-</u>	<u>18,866</u>	<u>18,866</u>
Total Capital Contributions	<u>-</u>	<u>29,570</u>	<u>29,570</u>
Change in Net Position	<u>\$ (1,265,571)</u>	<u>(624,796)</u>	<u>\$ 640,775</u>
NET POSITION, JULY 1		<u>71,159,207</u>	
NET POSITION, JUNE 30		<u>\$ 70,534,411</u>	

**CITY OF FERNLEY, NEVADA
SEWER UTILITY ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES			
User fees	\$ 1,898,000	\$ 1,929,793	\$ 31,793
OPERATING EXPENSES			
Salaries and wages	347,058	340,917	6,141
Employee benefits	141,902	131,470	10,432
Services and supplies	566,327	550,481	15,846
Depreciation	1,070,000	1,018,396	51,604
Total Operating Expenses	<u>2,125,287</u>	<u>2,041,264</u>	<u>84,023</u>
Operating Income (Loss)	<u>(227,287)</u>	<u>(111,471)</u>	<u>115,816</u>
NONOPERATING REVENUE (EXPENSE)			
Interest earned on investments	8,500	26,362	17,862
Miscellaneous	-	240	240
Interest expense	<u>(342,526)</u>	<u>(355,539)</u>	<u>(13,013)</u>
Total Nonoperating Revenue (Expense)	<u>(334,026)</u>	<u>(328,937)</u>	<u>5,089</u>
Income (Loss) Before Capital Contributions	(561,313)	(440,408)	120,905
CAPITAL CONTRIBUTIONS			
Customer connection fees	<u>-</u>	<u>3,474</u>	<u>3,474</u>
Change in Net Position	<u>\$ (561,313)</u>	<u>(436,934)</u>	<u>\$ 124,379</u>
NET POSITION, JULY 1		<u>29,450,377</u>	
NET POSITION, JUNE 30		<u>\$ 29,013,443</u>	

CITY OF FERNLEY, NEVADA
FIDUCIARY FUND - MUNICIPAL TRUST FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

	<u>BALANCE</u> <u>JULY 1, 2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2013</u>
ASSETS				
Cash and investments	\$ 26,060	\$ -	\$ 21,195	\$ 4,866
LIABILITIES				
Bail bond deposits held for others	\$ 25,047	\$ -	\$ 20,181	\$ 4,866
Other liabilities	1,013	-	1,013	-
Total Liabilities	<u>\$ 26,060</u>	<u>\$ -</u>	<u>\$ 21,194</u>	<u>\$ 4,866</u>

CITY OF FERNLEY, NEVADA
RESIDENTIAL CONSTRUCTION TAX DISTRICT #1 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Investment earnings	\$ -	\$ 2	\$ 2
Net Change in Fund Balance	-	2	2
FUND BALANCE, JULY 1	<u>800</u>	<u>800</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u>\$ 800</u>	<u>\$ 802</u>	<u>\$ 2</u>

**CITY OF FERNLEY, NEVADA
STATISTICAL SECTION**

This part of the City of Fernley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Section Contents</u>	<u>Schedule #</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time.</i>	1 - 4
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	5 - 9
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and its ability to issue additional future debt.</i>	10 - 14
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	15 - 16
Operating Information <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	17 - 19

Sources: *Unless otherwise noted, the information in these schedules is derived from comprehensive annual financial reports for the relevant year.*

**CITY OF FERNLEY, NEVADA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets*	\$ 11,913,896	\$ 15,883,001	\$ 24,608,748	\$ 30,721,447	\$ 35,677,010	\$ 39,652,258	\$ 38,680,602	\$ 38,683,760	\$ 40,765,626	\$ 39,585,451
Restricted	-	-	-	-	362,289	391,600	363,602	1,886,533	568,412	579,648
Unrestricted	3,927,329	5,884,904	5,535,323	4,549,063	2,395,580	2,276,380	2,554,609	1,218,963	2,569,131	3,139,551
Total Governmental Activities Net Position	<u>\$ 15,841,225</u>	<u>\$ 21,767,905</u>	<u>\$ 30,144,071</u>	<u>\$ 35,270,510</u>	<u>\$ 38,434,879</u>	<u>\$ 42,320,238</u>	<u>\$ 41,598,813</u>	<u>\$ 41,789,256</u>	<u>\$ 43,903,169</u>	<u>\$ 43,304,650</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets*	\$ 32,471,737	\$ 39,238,863	\$ 57,581,522	\$ 35,352,177	\$ 77,070,390	\$ 95,281,505	\$ 92,141,040	\$ 91,669,313	\$ 89,367,958	\$ 87,153,121
Restricted	-	535,237	579,560	-	-	-	-	-	-	-
Unrestricted	12,780,664	16,901,342	17,939,851	60,502,722	25,025,399	14,523,972	14,812,790	12,058,703	11,241,626	12,394,733
Total Business-type Activities Net Position	<u>\$ 45,252,401</u>	<u>\$ 56,675,442</u>	<u>\$ 76,100,933</u>	<u>\$ 95,854,899</u>	<u>\$ 102,095,789</u>	<u>\$ 109,805,477</u>	<u>\$ 106,953,830</u>	<u>\$ 103,728,016</u>	<u>\$ 100,609,584</u>	<u>\$ 99,547,854</u>
PRIMARY GOVERNMENT										
Net investment in capital assets*	\$ 44,385,633	\$ 55,121,864	\$ 82,190,270	\$ 66,073,624	\$ 112,747,400	\$ 134,933,763	\$ 130,821,642	\$ 130,353,073	\$ 130,133,584	\$ 126,738,572
Restricted	-	535,237	579,560	-	362,289	391,600	363,602	1,886,533	568,412	579,648
Unrestricted	16,707,993	22,786,246	23,475,174	65,051,785	27,420,979	16,800,352	17,367,399	13,277,666	13,810,757	15,534,284
Total Primary Government Net Position	<u>\$ 61,093,626</u>	<u>\$ 78,443,347</u>	<u>\$ 106,245,004</u>	<u>\$ 131,125,409</u>	<u>\$ 140,530,668</u>	<u>\$ 152,125,715</u>	<u>\$ 148,552,643</u>	<u>\$ 145,517,272</u>	<u>\$ 144,512,753</u>	<u>\$ 142,852,504</u>

*Updated for the implementation of GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

CITY OF FERNLEY, NEVADA
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPENSES										
Governmental Activities:										
General government	\$ 587,873	\$ 595,912	\$ 796,403	\$ 1,173,360	\$ 1,572,115	\$ 1,626,115	\$ 1,762,449	\$ 1,499,967	\$ 2,080,220	\$ 2,422,886
Judicial	156,796	173,804	170,479	194,353	252,189	243,889	265,515	204,071	213,314	215,504
Culture and recreation	81,120,000	458,828	646,259	838,674	689,281	685,706	622,998	734,553	743,911	1,126,357
Community development	434,627	861,555	875,056	848,010	1,977,586	811,701	1,247,018	2,817,551	2,673,503	1,591,456
Public works	463,188	642,480	729,919	1,326,718	783,565	1,778,649	1,824,412	1,871,798	1,185,973	1,100,290
Health	50,560	102,768	263,919	295,413	280,743	252,320	262,865	193,303	207,672	177,080
Debt Service:										
Interest and fiscal charges	-	-	224,500	221,032	214,326	206,092	198,144	189,836	194,402	87,015
Total Governmental Activities Expenses	<u>82,813,044</u>	<u>2,835,347</u>	<u>3,706,535</u>	<u>4,897,560</u>	<u>5,769,805</u>	<u>5,604,472</u>	<u>6,183,401</u>	<u>7,511,079</u>	<u>7,298,995</u>	<u>6,720,588</u>
Business-type Activities:										
Water	2,035,646	2,134,429	2,422,583	3,058,553	3,152,845	4,127,466	9,420,709	9,271,351	9,334,311	9,284,992
Sewer	1,347,388	1,509,433	1,530,898	1,812,583	2,012,862	2,581,981	2,641,510	2,524,958	2,389,391	2,396,803
Other	-	-	700	9,340	212,651	-	-	-	-	-
Total Business-type Activities Expenses	<u>3,383,034</u>	<u>3,643,862</u>	<u>3,954,181</u>	<u>4,880,476</u>	<u>5,378,358</u>	<u>6,709,447</u>	<u>12,062,219</u>	<u>11,796,309</u>	<u>11,723,702</u>	<u>11,681,795</u>
Total Primary Government Expenses	<u>\$ 86,196,078</u>	<u>\$ 6,479,209</u>	<u>\$ 7,660,716</u>	<u>\$ 9,778,036</u>	<u>\$ 11,148,163</u>	<u>\$ 12,313,919</u>	<u>\$ 18,245,620</u>	<u>\$ 19,307,388</u>	<u>\$ 19,022,697</u>	<u>\$ 18,402,383</u>

**CITY OF FERNLEY, NEVADA
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
CONTINUED**

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General government	\$ 731,510	\$ 887,827	\$ 1,008,662	\$ 1,137,510	\$ 1,030,613	\$ 1,243,230	\$ 1,267,670	\$ 1,209,522	\$ 1,274,989	\$ 1,355,031
Judicial	170,835	423,178	196,249	89,248	162,416	161,819	196,886	197,395	169,630	95,834
Culture and recreation	16,950	13,400	8,150	48,355	1,600	200	25	525	10	950
Community development	1,422,438	1,804,978	1,123,508	679,608	509,440	258,801	232,719	149,647	105,925	115,130
Public works	10,901	31,278	40,071	29,754	23,021	65,129	116,619	-	-	-
Health	1,766	1,611	2,341	4,318	4,650	3,819	3,296	3,578	2,968	4,157
Operating Grants and Contributions	276,701	268,632	348,627	60,000	60,000	60,383	61,500	133,460	466,388	113,124
Capital Grants and Contributions	8,112,137	4,232,398	7,531,080	6,052,749	4,869,410	5,613,270	1,538,400	3,933,102	4,925,916	1,385,242
Total Governmental Activities Program Revenues	<u>10,743,238</u>	<u>7,663,302</u>	<u>10,258,688</u>	<u>8,101,542</u>	<u>6,661,150</u>	<u>7,406,651</u>	<u>3,417,115</u>	<u>5,627,229</u>	<u>6,945,826</u>	<u>3,069,468</u>
Business-type Activities:										
Charges for Services:										
Water	1,794,430	1,975,451	2,201,916	2,306,193	3,273,625	3,833,095	4,774,366	4,580,081	6,325,657	8,277,063
Sewer	1,187,212	1,441,455	1,686,101	1,754,820	1,829,736	1,830,814	1,883,702	-	1,904,071	1,929,793
Other	-	131,300	-	-	1,055	-	-	-	-	-
Operating Grants and Contributions	-	-	-	-	424,671	562,372	441,742	4,893	97,966	-
Capital Grants and Contributions:	10,829,870	11,157,733	18,729,430	19,015,856	4,579,348	7,146,143	908,392	1,897,368	8,134	33,044
Total Business-type Activities Program Revenues	<u>13,811,512</u>	<u>14,705,939</u>	<u>22,617,447</u>	<u>23,076,869</u>	<u>10,108,435</u>	<u>13,372,424</u>	<u>8,008,202</u>	<u>6,482,342</u>	<u>8,335,828</u>	<u>10,239,900</u>
Total Primary Government Program Revenue	<u>\$ 24,554,750</u>	<u>\$ 22,369,241</u>	<u>\$ 32,876,135</u>	<u>\$ 31,178,411</u>	<u>\$ 16,769,585</u>	<u>\$ 20,779,075</u>	<u>\$ 11,425,317</u>	<u>\$ 12,109,571</u>	<u>\$ 15,281,654</u>	<u>\$ 13,309,368</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$(72,069,806)	\$ 4,827,956	\$ 6,552,153	\$ 3,203,982	\$ 891,345	\$ 1,802,179	\$ (2,766,286)	\$ (1,883,850)	\$ (353,169)	\$ (3,651,120)
Business-type Activities	10,428,478	11,062,077	18,663,266	18,196,393	4,730,077	6,662,977	(4,054,017)	(5,313,967)	(3,387,874)	(1,441,895)
Total Primary Government Net (Expense)/Revenue	<u>\$(61,641,328)</u>	<u>\$ 15,890,033</u>	<u>\$ 25,215,419</u>	<u>\$ 21,400,375</u>	<u>\$ 5,621,422</u>	<u>\$ 8,465,156</u>	<u>\$ (6,820,303)</u>	<u>\$ (7,197,817)</u>	<u>\$ (3,741,043)</u>	<u>\$ (5,093,015)</u>

CITY OF FERNLEY, NEVADA
 CHANGE IN NET POSITION
 LAST TEN FISCAL YEARS
 CONTINUED

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental Activities:										
Taxes:										
Property	\$ 427,738	\$ 496,207	\$ 591,082	\$ 925,297	\$ 1,074,726	\$ 1,381,621	\$ 1,410,347	\$ 1,473,876	\$ 1,850,971	\$ 1,924,602
Consolidated	137,610	163,429	189,158	188,128	197,040	202,188	170,186	130,215	131,372	132,962
Fuel	216,736	233,448	227,691	259,603	304,718	309,896	294,645	282,617	271,449	292,483
Unrestricted gaming licenses	75,015	71,271	97,121	98,753	96,021	92,211	96,598	99,439	99,607	104,761
Unrestricted interest income	22,441	97,729	329,341	361,301	175,866	41,085	26,847	13,921	5,066	12,334
Miscellaneous revenue	35,660	36,640	389,619	89,378	424,649	56,179	46,238	74,225	108,617	211,636
Total Governmental Activities	915,200	1,098,724	1,824,012	1,922,460	2,273,020	2,083,180	2,044,861	2,074,293	2,467,082	2,678,778
Business-type Activities:										
Unrestricted interest income	86,972	295,730	702,781	1,511,286	1,126,258	477,258	261,988	68,217	19,326	39,272
Miscellaneous revenue	37,142	65,234	59,441	46,287	384,555	569,452	244,232	154,734	250,116	340,893
Total Business-type Activities	124,114	360,964	762,222	1,557,573	1,510,813	1,046,710	506,220	222,951	269,442	380,165
Total Primary Government General Revenues	\$ 1,039,314	\$ 1,459,688	\$ 2,586,234	\$ 3,480,033	\$ 3,783,833	\$ 3,129,890	\$ 2,551,081	\$ 2,297,244	\$ 2,736,524	\$ 3,058,943
CHANGE IN NET POSITION										
Governmental activities	\$(71,154,606)	\$ 5,926,680	\$ 8,376,165	\$ 5,126,439	\$ 3,164,365	\$ 3,885,359	\$ (721,425)	\$ 190,443	\$ 2,113,913	\$ (972,342)
Business-type activities	10,552,592	11,423,041	19,425,488	19,753,966	6,240,890	7,709,687	(3,547,797)	(5,091,016)	(3,118,432)	(1,061,730)
Total Primary Government Change in Net Position	\$(60,602,014)	\$ 17,349,721	\$ 27,801,653	\$ 24,880,405	\$ 9,405,255	\$ 11,595,046	\$ (4,269,222)	\$ (4,900,573)	\$ (1,004,519)	\$ (2,034,072)

CITY OF FERNLEY, NEVADA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2012</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013</u>
General fund:										
Reserved	\$ 1,330	\$ 5,205	\$ 6,239	\$ 6,709	\$ 366,424	\$ 394,251	\$ 332,238	\$ -	\$ -	\$ -
Unreserved	790,990	869,817	938,757	582,237	279,443	294,617	482,078	-	-	-
Nonspendable	-	-	-	-	-	-	-	22,375	-	-
Restricted	-	-	-	-	-	-	-	342,400	342,123	342,125
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	5,582	1,449,207	1,449,207
Unassigned	-	-	-	-	-	-	-	1,223,672	-	617,104
	-	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 792,320</u>	<u>\$ 875,022</u>	<u>\$ 944,996</u>	<u>\$ 588,946</u>	<u>\$ 645,867</u>	<u>\$ 688,868</u>	<u>\$ 814,316</u>	<u>\$ 1,594,029</u>	<u>\$ 1,791,330</u>	<u>\$ 2,408,436</u>
All other governmental funds										
Reserved - Transient Lodging Tax Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,364	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	1,688,126	2,302,972	1,398,315	1,568,588	971,544	787,928	1,118,925	-	-	-
Capital projects fund	1,499,182	2,502,129	8,032,479	2,397,510	1,160,893	1,145,372	1,085,417	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	22,177
Restricted	-	-	-	-	-	-	-	1,544,133	226,289	237,523
Committed	-	-	-	-	-	-	-	-	1,200,065	1,210,436
Assigned	-	-	-	-	-	-	-	104,988	148,181	164,333
Total all other governmental funds	<u>\$ 3,187,308</u>	<u>\$ 4,805,101</u>	<u>\$ 9,430,794</u>	<u>\$ 3,966,098</u>	<u>\$ 2,132,437</u>	<u>\$ 1,933,300</u>	<u>\$ 2,235,706</u>	<u>\$ 1,649,121</u>	<u>\$ 1,574,535</u>	<u>\$ 1,634,469</u>

* Due to implementation of GASB 54 fund balance classifications changed in fiscal year 2011.

CITY OF FERNLEY, NEVADA
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
REVENUES										
Taxes	\$ 1,190,598	\$ 1,316,826	\$ 1,787,949	\$ 988,056	\$ 1,077,545	\$ 1,316,879	\$ 1,599,284	\$ 1,658,382	\$ 2,108,576	\$ 2,164,248
Licenses and permits	2,241,629	2,796,965	2,271,703	1,949,947	1,663,745	1,663,184	1,643,381	1,455,105	1,483,489	1,578,429
Intergovernmental	1,415,460	1,354,521	1,231,732	2,333,333	2,117,309	1,631,060	1,868,532	2,625,671	5,555,712	1,668,561
Fines and forfeits	170,836	175,167	228,424	234,353	207,465	161,820	222,566	197,397	169,630	95,834
Miscellaneous	199,081	192,613	794,352	581,833	610,883	138,018	88,765	95,752	112,246	127,651
Developer fees	-	-	-	-	-	-	-	111,000	-	-
Total revenues	<u>5,217,604</u>	<u>5,836,092</u>	<u>6,314,160</u>	<u>6,087,522</u>	<u>5,676,947</u>	<u>4,910,961</u>	<u>5,422,528</u>	<u>6,143,307</u>	<u>9,429,653</u>	<u>5,634,723</u>
EXPENDITURES										
General government	528,906	595,297	717,355	1,025,295	1,238,982	1,290,272	1,402,434	1,661,818	1,629,090	2,276,007
Judicial	154,514	171,868	169,163	194,518	251,829	244,714	257,983	201,062	213,214	215,296
Culture and recreation	324,629	381,962	508,797	647,542	522,392	546,492	482,871	612,723	617,960	745,405
Community development	405,298	669,105	810,965	834,503	1,226,149	787,056	1,332,123	2,796,292	5,309,789	1,482,004
Public works	331,318	420,500	376,571	515,394	428,988	457,243	448,224	-	-	1,826
Health	48,395	96,876	256,738	275,905	262,526	232,843	242,279	176,488	200,427	176,523
Debt service:										
Principal	-	-	-	158,000	165,000	173,000	181,000	189,000	4,134,000	84,000
Interest	-	-	94,789	221,032	214,326	206,092	198,144	189,836	194,402	87,015
Bond issuance costs	-	-	-	-	-	-	-	-	61,727	-
Capital outlay	<u>1,499,163</u>	<u>1,799,989</u>	<u>3,684,115</u>	<u>8,097,529</u>	<u>3,143,509</u>	<u>1,129,385</u>	<u>457,600</u>	<u>122,960</u>	<u>956,329</u>	<u>304,055</u>
Total expenditures	<u>3,292,223</u>	<u>4,135,597</u>	<u>6,618,493</u>	<u>11,969,718</u>	<u>7,453,701</u>	<u>5,067,097</u>	<u>5,002,658</u>	<u>5,950,179</u>	<u>13,316,938</u>	<u>5,372,131</u>
Excess (deficiency) of revenues over expenditures	<u>1,925,381</u>	<u>1,700,495</u>	<u>(304,333)</u>	<u>(5,882,196)</u>	<u>(1,776,754)</u>	<u>(156,136)</u>	<u>419,870</u>	<u>193,128</u>	<u>(3,887,285)</u>	<u>262,592</u>
OTHER FINANCING SOURCES (USES)										
Transfers out	(1,931,030)	(1,690,000)	(1,050,000)	(711,712)	(20,000)	(26,000)	-	60,000	(205)	-
Transfers in	1,931,030	1,690,000	1,050,000	711,712	20,000	26,000	-	(60,000)	205	-
General obligations bonds issued	-	-	5,000,000	-	-	-	-	-	4,010,000	-
Proceeds from insurance	-	-	-	-	-	-	-	-	-	40,625
Proceeds from disposal of capital assets	<u>4,277</u>	<u>-</u>	<u>-</u>	<u>61,450</u>	<u>-</u>	<u>-</u>	<u>7,984</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>4,277</u>	<u>-</u>	<u>5,000,000</u>	<u>61,450</u>	<u>-</u>	<u>-</u>	<u>7,984</u>	<u>-</u>	<u>4,010,000</u>	<u>40,625</u>
Net change in fund balance	<u>\$ 1,929,658</u>	<u>\$ 1,700,495</u>	<u>\$ 4,695,667</u>	<u>\$ (5,820,746)</u>	<u>\$ (1,776,754)</u>	<u>\$ (156,136)</u>	<u>\$ 427,854</u>	<u>\$ 193,128</u>	<u>\$ 122,715</u>	<u>\$ 303,217</u>
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	3.3%	10.9%	9.6%	10.7%	9.1%	7.0%	54.3%	3.5%

**CITY OF FERNLEY, NEVADA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Fiscal Year	Assesed Value			Estimated Actual Value	Ratio of Total Assessed To Total Estimated Actual Value
	Real Property	Personal Property	Total		
2004	-	-	279,452,986	798,437,103	35.0
2005	-	-	303,180,006	866,228,589	35.0
2006	-	-	377,743,200	1,079,266,286	35.0
2007	-	-	511,154,623	1,460,441,780	35.0
2008	-	-	679,959,918	1,942,742,623	35.0
2009	-	-	755,529,070	2,158,654,486	35.0
2010	-	-	632,953,139	1,808,437,540	35.0
2011	-	-	448,105,998	1,280,302,851	35.0
2012	-	-	440,455,995	1,258,445,700	35.0
2013*	405,137,703	39,114,259	444,251,962	1,269,291,320	35.0

Source: State of NV Department of Taxation's "Local Government Finance Redbook"

*First year breakdown of assesed value between real and personal property was made available.

CITY OF FERNLEY, NEVADA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	City of Fernley	State of Nevada	School District	County	Special Districts	Total
2004	0.1528	0.1700	1.3367	0.8350	0.3627	2.8572
2005	0.1528	0.1700	1.3367	0.8644	0.3726	2.8965
2006	0.1528	0.1700	1.3367	0.8644	0.3736	2.8975
2007	0.3481	0.1700	1.3367	0.8644	0.0274	2.7466
2008	0.3505	0.1700	1.3367	0.8644	0.3772	3.0988
2009	0.3515	0.1700	1.3367	0.8644	0.3782	3.1008
2010	0.3510	0.1700	1.3367	0.8644	0.3788	3.1009
2011	0.3510	0.1700	1.3367	0.8644	0.4395	3.1616
2012	0.5469	0.1700	1.3367	0.8644	0.4803	3.3983
2013	0.6169	0.1700	1.3367	0.9287	0.4974	3.5497

Source: State of NV Department of Taxation's "Local Government Finance Redbook"

**CITY OF FERNLEY, NEVADA
PRINCIPAL PROPERTY OWNERS
June 30, 2013**

Taxpayer	Product/Service	Taxable		Approximate Percentage of Taxable Assessed Valuation
		Estimated Appraised Value (1)	Taxable Assessed Value	
NV Energy	Utility	\$ 147,093,480	\$ 51,482,718	11.589%
Southwest Gas Corp.	Utility	40,320,274	14,112,096	3.177%
Peri & Peri/ Desert Pearl Farms	Agriculture	26,312,089	9,209,231	2.073%
1600 East Newlands Dr., LLC	Developer	24,715,977	8,650,592	1.947%
Sherwin-Williams Acceptance Corp	Paint Manufacturer	24,381,300	8,533,455	1.921%
Amazon.com	Retail Distributor	20,404,366	7,141,528	1.608%
Nevada Cement Co.	Cement Manufacturer	19,688,843	6,891,095	1.551%
Union Pacific Railroad	Railroad	17,103,629	5,986,270	1.347%
Sonterra Development Co. Inc.	Developer	16,622,571	5,817,900	1.310%
Beehive Telephone Company	Telephone	15,145,137	5,300,798	1.193%
Totals		<u>\$ 351,787,666</u>	<u>\$123,125,683</u>	<u>27.715%</u>

Source: Lyon County Assessor's Office

Note: (1) Estimated appraised value is based on assessed value at 35% of appraised value

**CITY OF FERNLEY, NEVADA
WATER USER FEES
LAST TEN FISCAL YEARS**

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
WATER UTILITY										
Number of Customers	4,980	6,083	6,634	6,816	7,170	7,371	7,061	7,103	7,925	7,782
Annual Average Day Demand per customer	750	750	750	750	750	750	750	750	750	750
Gallons of water used (in thousands)	1,363,275	1,665,221	1,816,058	1,865,880	1,954,754	1,488,674	1,317,721	1,183,382	1,196,856	1,201,169
Direct rate per 1000 gallons	\$ 0.95	\$ 0.95	\$ 0.95	\$ 0.95	\$ 1.11	\$ 1.50	\$ 2.02	\$ 2.02	\$ 2.02	\$ 2.02

Source: City of Fernley

SCHEDULE 9

**CITY OF FERNLEY, NEVADA
PRINCIPLE WATER USERS**

Employer	JUNE 30,			
	2013		2004	
	User Fees	Rank	User Fees	Rank
City of Fernley	\$ 164,058	1	\$ -	-
Lyon County School District	145,585	2	-	-
Trex Manufacturing Company	72,132	3	42,141	1
World Color Fernley	70,839	4	-	-
Veteran's Cemetery	56,192	5	15,059	4
Amazon.com	39,251	6	-	-
Sherwin Williams	30,951	7	-	-
Siri Hospitality	30,410	8	-	-
Hollywood Investments	25,802	9	18,076	3
Blue Beacon	25,763	10	7,413	8

Source: City of Fernley

**CITY OF FERNLEY, NEVADA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Water Bonds	Sewer Bonds			
2004	-	-	-	-	0.00%	-
2005	-	-	-	-	0.00%	-
2006	5,000,000	670,000	890,282	6,560,282	1.64%	401
2007	4,842,000	45,015,000	6,267,780	56,124,780	12.20%	2,977
2008	4,677,000	74,954,997	8,640,332	88,272,329	17.12%	4,507
2009	4,504,000	74,055,200	8,417,529	86,976,729	16.90%	4,436
2010	4,323,000	72,538,029	8,150,738	85,011,767	16.10%	4,491
2011	4,134,000	71,107,943	7,843,297	83,085,240	15.71%	4,290
2012	4,010,000	69,648,107	7,461,893	81,120,000	15.42%	4,293
2013	3,926,000	68,134,205	7,300,795	79,361,000	15.14%	4,214

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 15 of Demographic Statistics on page 78 for personal income and population data.

**CITY OF FERNLEY, NEVADA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Fiscal Year	General Obligation Bonds	Business Type Activities	Total	Percentage of Actual Property Value (1)	Per Capita (2)
2004	-	1,108,830	1,108,830	0.14%	94.63
2005	-	1,008,027	1,008,027	0.12%	73.18
2006	5,000,000	1,560,282	6,560,282	0.61%	401.07
2007	4,842,000	51,282,780	56,124,780	3.84%	2,977.44
2008	4,677,000	83,595,329	88,272,329	4.54%	4,507.14
2009	4,504,000	82,472,729	86,976,729	4.03%	4,435.55
2010	4,323,000	80,688,767	85,011,767	4.70%	4,491.09
2011	4,134,000	78,951,240	83,085,240	6.49%	4,289.82
2012	4,010,000	77,110,000	81,120,000	6.45%	4,292.97
2013	3,926,000	75,435,000	79,361,000	6.25%	4,214.38

Note: (1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population information may be found on Schedule 15 - Demographic Statistics on page78.

CITY OF FERNLEY, NEVADA
COMPUTATION OF GENERAL OBLIGATION DIRECT AND OVERLAPPING DEBT
June 30, 2013

	Total General Obligation Debt	Presently Self-Supporting General Obligation Debt	Net Debt Outstanding	% Applicable	Applicable Net Debt
Direct:					
City of Fernley	\$ 81,120,000	\$ 77,110,000	\$ 4,010,000	100.00%	<u>\$ 4,010,000</u>
Overlapping:					
State of Nevada (1)	1,243,420,000	-	1,243,420,000	0.44%	5,471,048
Lyon County (2)	12,732,955	12,732,955	-	36%	-
Lyon County School (3) District	76,810,000	-	76,810,000	36%	<u>27,675,796</u>
Total Overlapping Debt					<u>33,146,844</u>
Total Direct and Overlapping Debt					<u><u>\$ 37,156,844</u></u>

Source:

- (1) State of Nevada
- (2) Lyon County
- (3) Lyon County School District

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Fernley. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF FERNLEY, NEVADA
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2013

Estimated Assessed Value	\$444,251,962
Debt Limit - 30 Percent of Total Assessed Value	133,275,589
Total Amount of Debt Applicable to Debt Limit	<u>79,361,000</u>
Legal Debt Margin	<u><u>\$53,914,589</u></u>

Note: Legal debt margin as set forth in NRS 266.600

**CITY OF FERNLEY, NEVADA
WATER AND SEWER FUNDS REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Operating Revenue	Operating Expenses(1)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 2,981,642	\$ 2,096,056	\$ 885,586	\$ 248,173	\$ 84,152	\$ 332,325	266%
2005	3,416,906	2,338,729	1,078,177	262,745	72,580	335,325	322%
2006	3,888,017	2,647,912	1,240,105	277,502	60,323	337,825	367%
2007	4,061,013	2,873,207	1,187,806	287,451	620,879	908,330	131%
2008	5,528,032	3,420,207	2,107,825	1,122,600	3,531,002	4,653,602	45%
2009	5,975,722	4,168,048	1,807,674	1,122,600	3,773,565	4,896,165	37%
2010	7,099,810	4,836,862	2,262,948	1,822,957	3,738,999	5,561,956	41%
2011	6,450,173	3,823,597	2,626,576	1,698,531	3,674,376	5,372,907	49%
2012	8,327,702	3,801,460	4,526,242	1,764,329	3,611,327	5,375,656	84%
2013	10,076,003	3,841,334	6,234,669	1,751,912	3,545,754	5,297,666	118%

Note: (1) Total operating expenses exclusive of depreciation

SCHEDULE 15

CITY OF FERNLEY, NEVADA
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Total Personal Income	Per Capita Personal Income (2)	Unemployment Rate (3)
2004	11,718	\$ 285,380,172	\$ 24,354	5.20%
2005	13,775	336,110,000	24,400	5.00%
2006	16,357	399,110,800	24,400	4.70%
2007	18,850	459,940,000	24,400	7.30%
2008	19,585	515,555,540	26,324	8.90%
2009	19,609	514,677,423	26,247	15.30%
2010	18,929	527,967,668	27,892	19.20%
2011	19,368	528,746,400	27,300	17.70%
2012	18,896	525,970,160	27,835	15.80%
2013	18,831	524,160,885	27,835	13.60%

Sources:

- (1) Nevada Demographer's Office
- (2) Bureau of Economic Analysis
- (3) Nevada Employment Security Department-
- (4) Lyon County Data

**CITY OF FERNLEY, NEVADA
MAJOR EMPLOYERS
JUNE 30,**

Employer	2013			2005*		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
Lyon County School District	1000-1499	1	5.72%	-	-	-
Amazon.com	900-999	2	4.35%	700-799	1	6.14%
Lyon County	300-399	3	1.60%	-	-	-
MSC Industrial Supply Co.	200-299	4	1.14%	100-199	3	1.23%
Wal-Mart	200-299	5	1.14%	-	-	-
South Lyon Medical Center	100-199	6	0.69%	-	-	-
Production Pattern & Foundry	100-199	7	0.69%	-	-	-
Medallic Art Company	100-199	8	0.69%	-	-	-
Lowe's HIW INC	100-199	9	0.69%	-	-	-
Nevada Automotive Testing Center	100-199	10	0.69%	-	-	-

Source: Nevada Department of Employment, Training and Rehabilitation

(1) Total employment statistics are for the Lyon County area, as information not available at the City level.

* Information presented from calendar year 2005, the first year the Comprehensive Annual Financial Report was prepared

**CITY OF FERNLEY, NEVADA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS**

FUNCTION/PROGRAM	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	14.7	15.5	12.1	18.6	22.3	9.3	13.0	16.0	14.7	13.8
Judicial	1.9	1.9	2.0	1.9	1.9	3.0	2.4	2.4	2.4	3.0
Public works	1.3	1.3	2.0	1.5	1.8	2.5	5.5	10.0	4.3	4.8
Culture and recreation	4.5	7.5	7.5	10.9	11.5	4.8	6.0	4.0	5.3	5.6
Community development	7.0	12.0	15.5	16.0	14.0	8.1	8.0	6.0	5.0	4.9
Health	-	2.0	3.9	2.9	2.5	3.0	2.0	2.0	2.0	2.0
Water	5.6	5.9	8.6	6.8	8.1	15.3	16.5	13.0	17.0	16.1
Sewer	5.6	5.9	9.1	6.8	8.1	9.2	4.5	4.0	6.7	6.6
Total	<u>40.6</u>	<u>51.9</u>	<u>60.7</u>	<u>65.4</u>	<u>70.1</u>	<u>55.2</u>	<u>57.9</u>	<u>57.4</u>	<u>57.4</u>	<u>56.8</u>

Sources: City of Fernley, Nevada

CITY OF FERNLEY, NEVADA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	FISCAL YEAR ENDED JUNE 30,									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Judicial:										
Municipal Court Cases Filed:										
Drug	33	34	68	35	28	25	39	20	12	5
Driving Under Influence	71	75	91	81	83	68	79	59	16	12
Domestic Violence	48	65	45	5	3	1	3	0	0	0
Traffic	2,132	2,410	2,530	1,829	1,668	1,260	2,206	2002	990	524
Other	0	1	0	0	3	3	3	0	16	14
Public Safety:										
Calls for Service:										
Criminal	2,760	3,072	3,382	3,866	3,633	2,791	2,679	2,407	3,766	3,891
Non-Criminal	828	924	1,028	1,180	1,129	1,889	2,144	2,523	3,332	3,184
Domestic Violence	432	684	678	866	889	463	414	352	709	784
Follow-up	1,488	1,404	1,630	1,439	1,624	1,599	1,920	2,497	2,176	2,107
Traffic Stops	672	876	1,026	1,450	1,639	2,067	1,999	1,626	1,564	1,224
Civil Papers	1,596	2,028	2,232	2,136	2,601	2,359	2,568	2,418	1,895	1,701
Animal	192	168	102	156	204	337	377	252	318	392
Death/Coroner	36	36	42	33	45	42	29	41	72	102
Public Service	1,440	1,044	1,250	927	1,191	1,111	1,195	1,337	1,469	2,014
Assist other Agencies	600	684	732	625	1,112	1,024	851	791	1,062	932
Alarms	252	276	346	383	377	517	494	492	729	802
Property Damage Accident	120	132	92	120	98	115	108	87	120	128
Injury Accident	12	24	24	20	5	15	9	17	27	39
Private Property Accident	48	48	48	73	81	65	52	57	71	123
Administrative	2,316	2,196	2,304	2,761	3,113	3,204	4,715	7,911	6,888	9,924
Total Calls for Service	12,792	13,572	15,076	16,035	17,741	17,598	19,554	22,808	24,198	27,347
Total Reports Written	1,740	1,704	1,756	2,298	2,130	1,947	2,326	2,023	2,594	2,490
Arrests:										
Felony	72	60	90	123	76	95	122	133	112	114
Gross Misdemeanor	12	24	16	17	27	44	34	27	40	14
Misdemeanor	168	120	112	143	146	121	160	135	113	142
Driving Under the Influence	48	36	48	84	90	76	111	57	34	27
Domestic Violence	48	72	52	71	53	73	61	67	45	45
Mental Health	12	12	8	12	11	4	5	4	1	2
Total Arrests	360	312	326	450	403	413	493	423	345	344
Citations:										
Traffic	240	228	274	593	464	557	535	409	274	210
Non-Traffic	132	168	162	209	234	328	339	287	239	280
Total Citation	372	408	436	802	698	885	874	696	513	490
Water Utility										
Customer Count	4,980	6,083	6,634	6,816	6,896	6,876	6,693	6,736	9,837	7,782
New Connections	1,014	1,103	551	182	80	15	12	12	5	2
Sewer Utility										
Customer Count	4,957	6,049	6,600	6,782	6,862	6,312	6,140	6,174	8,188	6,263
New Connections	1,007	1,092	551	182	80	14	12	7	2	1
Building										
Number of Permits Issued	1,492	1,445	897	500	352	221	217	228	201	230
Number of Inspection Performed	15,929	19,108	13,302	5,838	3,107	1,894	929	803	863	494
Planning										
Number of applications processed	195	211	238	223	150	93	52	32	32	30

Sources: City of Fernley

**CITY OF FERNLEY, NEVADA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Streets:										
Public Road Mileage	95.45	104.12	106.64	116.96	125.36	126.79	126.79	126.79	126.79	127.29
Parks and Recreation:										
Parks and Open Space Acreage	68.3	85.3	150	155	155	155	155	155	155	155
Developed Parks	7	8	11	11	11	11	11	11	11	11
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Rodeo Arena	1	1	2	2	2	2	2	2	2	2
Playing Fields	7	8	10	19	19	19	19	19	19	19
Pavilions	1	2	2	2	3	3	7	7	7	7
Skate Park	1	1	1	1	1	1	1	1	1	1
Water Utility:										
Water lines (miles)	85.8	92.7	105	115.2	124.7	148.9	152.1	152.1	152.1	154.2
Fire Hydrants	850	925	1,000	1,033	1,083	1,102	1,102	1,102	1,102	1,127
Sewer Utility:										
Sanitary Sewer lines (miles)	73.4	79.3	90.0	93.6	101.3	124.2	124.2	124.2	124.2	124.9
Sanitary Sewer Manhole Count	1,113	1,362	1,510	1,600	2,126	2,227	2,227	2,227	2,227	2,249

Sources: City of Fernley



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the City Council
City of Fernley, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fernley, Nevada, (the "City"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain

deficiency in internal control, described as 2013-001 in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kafoury, Armstrong & Co." The signature is written in a cursive, flowing style.

Fallon, Nevada
November 25, 2013



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of Fernley, Nevada

Report on Compliance for Each Major Federal Program

We have audited the City of Fernley, Nevada's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2013-002.

City of Fernley, Nevada's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kafoury, Armstrong & Co." The signature is written in a cursive style with a small star symbol between the last two words.

Fallon, Nevada
November 25, 2013

CITY OF FERNLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013

<u>FEDERAL-GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Federal CFDA #</u>	<u>PROJECT/PASS- THROUGH CFDA NUMBER</u>	<u>Federal Expenditures</u>
Department of the Interior:			
Direct Programs:			
Bureau of Reclamation			
Providing Water to At-Risk Natural Desert Terminal Lakes (Joint)	15.508	R09AP20010	\$ 846,904
Providing Water to At-Risk Natural Desert Terminal Lakes (Legal)	15.508	R12AP20013	<u>101,745</u>
Total Bureau of Reclamation			948,649
Passed through the State of Nevada:			
Division of State Parks			
Outdoor Recreation Acquisition, Development and Planning (Restrooms)	15.916	32-00312.1	<u>46,547</u>
Bureau of Reclamation			
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	R12AP20050	<u>1,418</u>
Total Department of the Interior			<u>996,614</u>
Department of Housing and Urban Development:			
Passed through the State of Nevada:			
Governor's Office of Economic Development CDBG - State Administered CDBG Cluster:			
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (Access)	14.228	11/PS/13	11,353
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (Hardie Lane)	14.228	12/PF/06	110,878
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (Business Counseling)	14.228	N/A	<u>50,000</u>
Total Department of Housing and Urban Development			<u>172,231</u>
Total Expenditures of Federal Awards			<u>\$ 1,168,845</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF FERNLEY, NEVADA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

A. REPORTING ENTITY:

The accompanying schedule of expenditures of federal awards presents the expenditure activity of all federal awards programs of City of Fernley (the City) for the year ended June 30, 2013. The City's reporting entity is defined in Note 1 of its basic financial statements. All expenditures of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

B. BASIS OF ACCOUNTING:

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

C. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS:

Expenditures of federal awards have been included in the individual funds of the City as follows:

	<u>Federal Awards</u>
Governmental Activities:	
Other Governmental Funds:	
Grants	<u>\$ 1,168,845</u>

D. SUBRECIPIENTS:

All expenditures related to the following grants from the Department of Housing and Urban Development were passed through to Access to HealthCare Network, Inc., a Nevada non-profit corporation:

Community Development Block Grant/State's Programs and Non-Entitlement Grants in Hawaii (CFDA No. 14.228)

**CITY OF FERNLEY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS:

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness identified?	_____	Yes	_____ <u>X</u> _____ No
Significant deficiency?	_____ <u>X</u> _____	Yes	_____ <u>X</u> _____ None reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____ No

Federal Awards

Internal control over major programs:			
Material weakness identified?	_____	Yes	_____ <u>X</u> _____ No
Significant deficiency?	_____ <u>X</u> _____	Yes	_____ <u>X</u> _____ None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ <u>X</u> _____	Yes	_____ <u>X</u> _____ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
CFDA 15.508	Providing Water to At-Risk Natural Desert Terminal Lakes

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
Auditee qualified as a low-risk auditee?	_____	Yes	_____ <u>X</u> _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Finding 2013 - 001:

Significant Deficiency

Criteria: Internal controls should be in place to provide reasonable assurance that the City prepares its financial statements in accordance with generally accepted accounting principles.

Condition: An adjustment of \$103,853 was required in the Water Fund to recognize revenues earned but not recorded in order for the financial statements to be reported in accordance with generally accepted accounting principles.

Effect: The City’s financial statements were not completed in accordance with generally accepted accounting principle without audit adjustments.

Cause: The audit adjustment related to a new revenue source in the Water Fund – Water Bond Debt Fee. The City of Fernley Resolution #2012-007 created an annual Water Bond Fee beginning in

**CITY OF FERNLEY, NEVADA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

fiscal year 2012/2013. At June 30, 2013, the City recognized revenue on a cash basis and did not record the amount uncollected and due to the City (i.e. accounts receivable.)

Recommendation: We recommend that the City establish procedures to ensure all Water Bond Fee billings are recorded as revenue in accordance with generally accepted accounting principles.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

Finding 2013 - 002:

Significant Deficiency

Federal Agency: U.S. Department of the Interior

Passed through: Direct award passed through the Bureau of Reclamation

Grant award: CFDA 15.508 Providing Water to At-Risk Natural Desert Terminal Lakes

Criteria: OMB Circular A-133 Compliance Supplement states that “When required by the Davis-Bacon Act, the Department of Labor’s (DOL) government-wide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).”

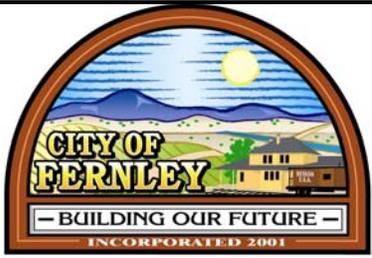
Condition and Context: During our testing of internal controls over compliance with the Davis-Bacon Act, it was identified that the City did not have controls in place to ensure contractors were properly submitting certified payroll reports.

Questioned Costs: None

Cause: The City engaged an outside firm to oversee the project inclusive of monitoring prevailing wage reports submitted by the individual contractors hired. The City did not monitor or maintain documentation to support compliance had been met.

Effect: The contractor could have failed to submit reports and the City would have been out of compliance with federal standards as described in OMB Circular A-133.

Recommendation: We recommend that the City establish procedures to monitor Davis Bacon reporting requirements to ensure that the contractor is properly submitting certified payroll reports.



City of Fernley
Finance
Department

Utility Billing
Accounting
Budgeting
Treasury

November 25, 2013

United States Department of Interior
Bureau of Reclamation
2800 Cottage Way, MP-3800
Sacramento, California 95825-1898

RE: Schedule of Findings and Questioned Costs

To Whom It May Concern:

The following is a corrective action plan addressing the finding included in the City of Fernley's audit report for the fiscal year ended June 30, 2013:

Finding 2013-002:

Condition and Context: During our testing of internal controls over reporting, it was identified that the City did not have controls in place to ensure that reports are prepared accurately and submitted timely.

Criteria: OMB Circular A-133 Compliance Supplement states that "When required by the Davis-Bacon Act, the Department of Labor's (DOL) government-wide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7))."

Recommendation: We recommend that the City establish procedures to monitor Davis Bacon reporting requirements to ensure that the contractor is properly submitting certified payroll reports.

Response: Since the inception of the grant, the City of Fernley designated a trusted outside firm to oversee the project and monitor prevailing wage reports submitted by contractors. This firm has several years of prevailing wage experience and is aware of the Davis Bacon compliance requirements. Through verbal communication, the City confirmed the prevailing wage reports were being submitted by

contractors and monitored by the firm. However, a City representative did not review or maintain documentation of the certified payroll reports.

The City will now request the firm send copies of the prevailing reports to City personnel on a monthly basis. These reports will be reviewed and maintained by City personnel to ensure compliance as described in OMB Circular A-133.

CITY OF FERNLEY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 2012-3 – Significant Deficiency

Condition: During our testing of internal controls over reporting, it was identified that the City did not have controls in place to ensure that reports are prepared accurately and supported by accounting records. It was noted during testing of the reimbursement reports that the accounting records included \$19,672 in grant expenditures that were not included on the reimbursement requests.

Recommendation: We recommended that the City establish procedures to ensure that reports are prepared accurately and are supported by the City's accounting or performance records.

Current Status: Implemented. Prior to filing a federal report, a detailed general ledger print out is now reviewed and attached to the report supporting its completeness.

AUDITOR'S COMMENTS

June 30, 2013

Statute Compliance

Except as described in Note 2, the City conformed to all significant statutory constraints on its financial administration during the year.

Progress on Prior Year Statute Compliance

The City monitored expenditures during the current year in order to prevent over expenditures.

Prior Year Recommendations

In the prior year, we identified financial weaknesses reported as material weaknesses. See current year recommendations.

Current Year Recommendations

Our audit disclosed recommendations for the current year required to be included in the Schedule of Findings and Questioned Costs. See Findings 2013-001 and 2013-002.

Schedule of Fees Imposed Subject to the Provisions of NRS
354.5989 – Limitation of Fees for Business Licenses

Flat Fixed Fees:

Business license revenue for the year ended June 30, 2012		<u>\$ 201,821</u>
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Adjustment to Base:

Base year:

- | | | |
|--|-------------|--|
| 1. Percentage decrease in population of the local
government | (0.34%) | |
| 2. Percentage increase in the Consumer Price Index for
the year ending on December 31, next preceding the
year for which the limit is being calculated | <u>3.0%</u> | |

Adjusted Base at June 30, 2013	2.66%	207,189
Actual Revenue		<u>213,958</u>
Actual Amount over (under) Allowable Amount		<u>\$ 57</u>