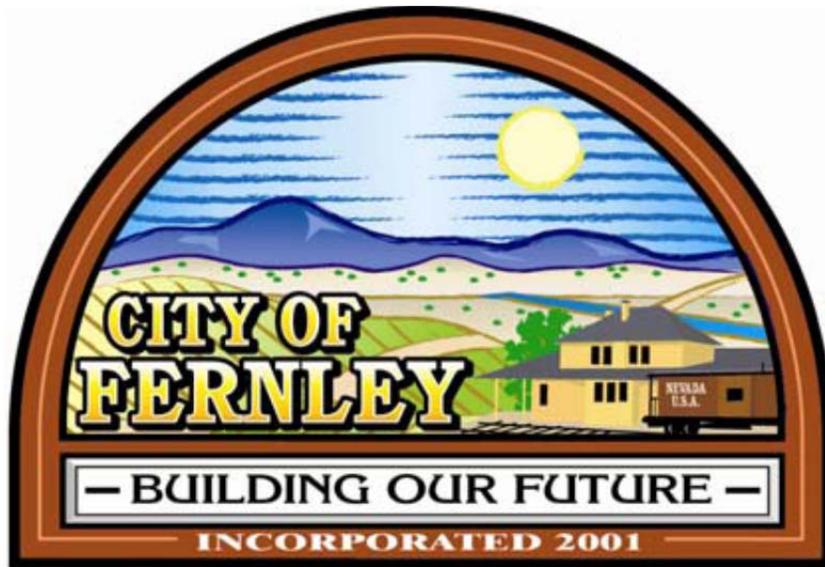


**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**



**FISCAL YEAR ENDED  
JUNE 30, 2014**

**City of Fernley  
Nevada**

**CITY OF FERNLEY, NEVADA**

**Table of Contents**

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i
Organizational Chart .....	vi
List of Principal Officials.....	vii
GFOA Certificate of Achievement .....	viii
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	18
Statement of Activities.....	19
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	23
Statement of Net Position – Proprietary Funds.....	24
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	25
Statement of Cash Flows – Proprietary Funds.....	26
Statement of Net Position – Fiduciary Fund.....	27
Notes to the Financial Statements.....	28
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures (Expenses), and Changes in Fund Balances – Budget and Actual:	
General Fund .....	53
Grants Special Revenue Fund .....	57
Schedule of Funding Progress – Other Post Employment Plans .....	58

**CITY OF FERNLEY, NEVADA**

**Table of Contents (Continued)**

**Supplementary Information:**

Combining and Individual Fund Statements and Schedules:  
    Combining Balance Sheet – Non-major Governmental Funds.....61  
    Combining Statement of Revenues, Expenditures and Changes in  
        Fund Balances – Non-major Governmental Funds.....62

Schedules of Revenues, Expenditures, and Changes in Fund  
Balances – Budget and Actual – Non-major Governmental Funds:  
    Municipal Court Administrative Fees – Special Revenue Fund.....63  
    Municipal Court Facilities Fees – Special Revenue Fund .....64  
    Transient Lodging Tax – Special Revenue Fund.....65  
    Capital Projects Fund.....66  
    Capital Improvement – Capital Projects Fund.....67

Schedules of Revenues, Expenses, and Changes in Net  
Position – Budget and Actual – Enterprise Funds:  
    Water Utility – Enterprise Fund.....69  
    Sewer Utility – Enterprise Fund .....70

Agency Funds:  
    Municipal Trust Fund Statement of Changes in Assets  
        and Liabilities .....72

**STATISTICAL SECTION**

**Financial Trends:**

Net Position by Component .....75  
Change in Net Position .....76  
Fund Balances of Governmental Funds .....79  
Changes in Fund Balances of Governmental Funds .....80

**Revenue Capacity:**

Assessed and Estimated Actual Value of Taxable Property .....81  
Property Tax Rates – Direct and Overlapping Governments.....82  
Principal Property Owners.....83  
Water User Fees.....84  
Principal Water Users .....85

**CITY OF FERNLEY, NEVADA**

**Table of Contents (Continued)**

**Debt Capacity:**

Ratios of Outstanding Debt by Type .....86  
Ratios of General Bonded Debt Outstanding.....87  
Computation of General Obligation Direct and Overlapping Debt .....88  
Computation of Legal Debt Margin.....89  
Water and Sewer Funds Revenue Bond Coverage .....90

**Demographic and Economic Information:**

Demographic Statistics .....91  
Major Employers .....92

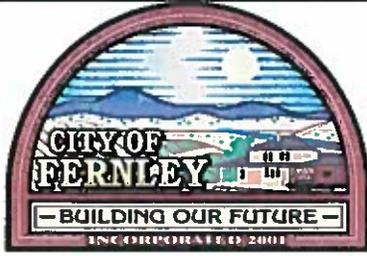
**Operating Information:**

Full-time Equivalent City Government Employees by Function/Program.....93  
Operating Indicators by Function/Program.....94  
Capital Asset Statistics by Function/Program.....95

**COMPLIANCE SECTION:**

Independent Auditors’ Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters .....99  
Independent Auditors’ Report on Compliance Applicable to Each Major Program and  
on Internal Control over Compliance in Accordance with OMB Circular A-133 .....101  
Summary of Auditors’ Results.....103  
Financial Statement Findings.....104  
Federal Award Findings and Questioned Costs .....104  
Summary of Prior Year Findings and Questioned Costs .....104  
Schedule of Expenditures of Federal Awards.....105  
Notes to the Schedule of Expenditures of Federal Awards.....106  
Independent Auditors’ Report on Compliance with State Fiscal Laws .....107  
Schedule of Fees Imposed Subject to the Provisions of NRS 354.5989  
Limitation of Fees for Business Licenses .....109

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**City of Fernley**  
**Finance**  
**Department**

Treasury  
Budgeting  
Accounting  
Payroll  
Utility Billing  
Collections  
Accounts Payable  
Debt Management

---

November 26, 2014

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, 2014 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 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 Hinton, Burdick CPAs & Advisor, 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, 2014 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, 2014, 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 seventh 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, 2014, 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 the Chief Administrative Officer of the City. This individual 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 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; building and planning services; municipal court services; cemetery 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 and Treasurer in January of each year. The two use these requests as the starting point for developing a proposed budget. A series of City Council workshops are held to discuss the budget and during these workshops, the City Manager, the City Treasurer and department heads present their proposed budgets to the City Council for review. The City Council is required to hold a public hearing on the proposed budget and then 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 and depending on the department, function and fund, the City Treasurer or the City Council may authorize the transfer of appropriations.

### **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 6<sup>th</sup> 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:

- 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
- Development of a comprehensive capital improvement and maintenance plan
- Continuing to invest in technology to enhance service delivery to customers
- Development of a convention center

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:**

The management of the City of Fernley would like to acknowledge the efforts of the City's Finance Department and Hinton, Burdick CPAs & Advisors for their effort and dedication in producing this document.

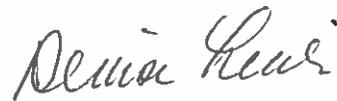
The preparation of this report could not have been accomplished without the professional, efficient and dedicated staff of the Finance Department. Our auditors, Hinton, Burdick CPAs & Advisors provided the expert support and guidance that made the preparation of this report possible. We would also like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

Respectfully submitted,



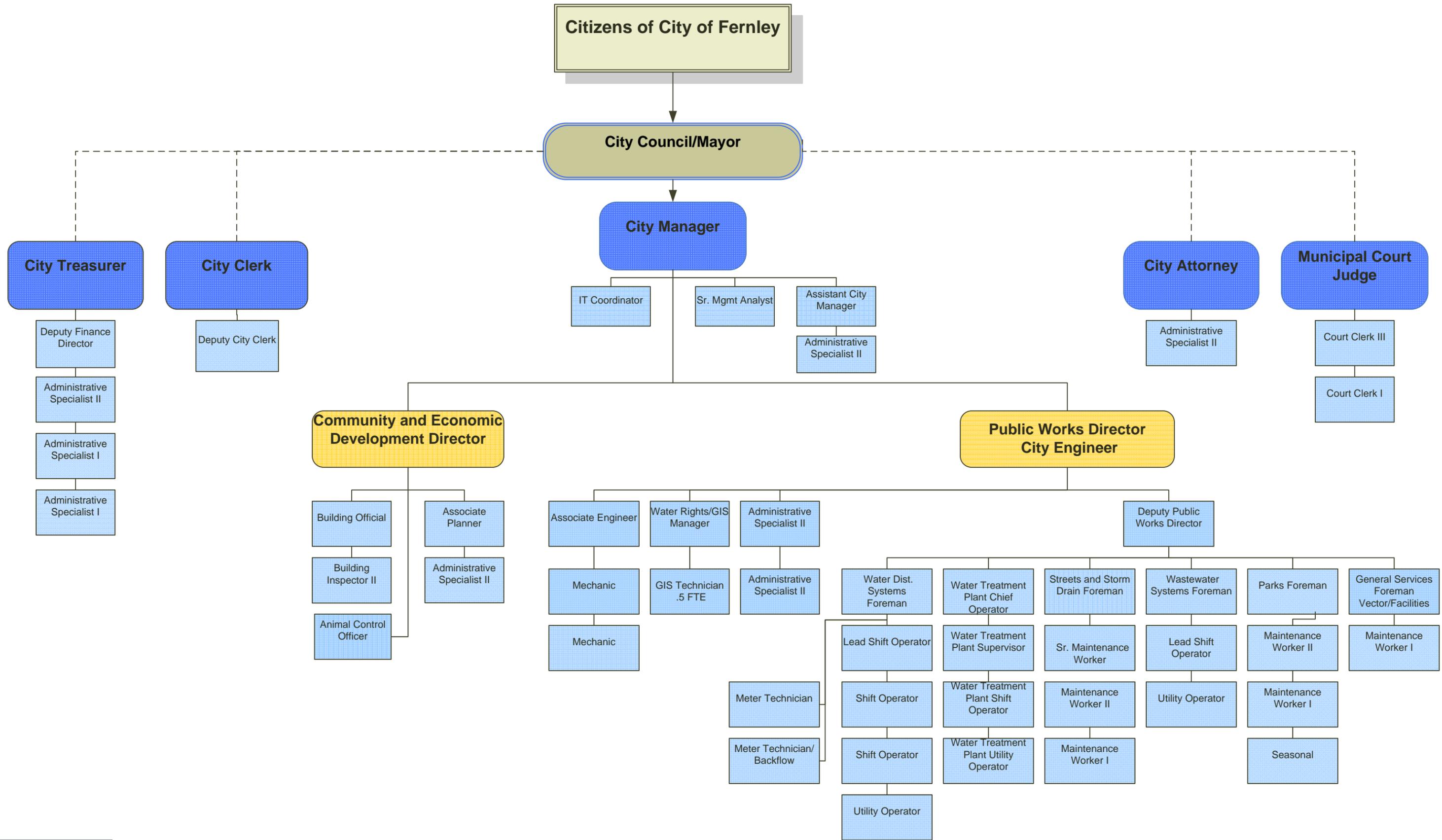
Daphne Hooper  
Acting City Manager

Respectfully submitted,



Denise Lewis  
City Treasurer  
Finance Director

CITY OF FERNLEY, NEVADA ORGANIZATION CHART



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
Community Development Director	Mojra Hauenstein
Acting Public Works Director	Derek Starkey



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Fernley  
Nevada**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

**FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Mayor and 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, as of and for the year ended June 30, 2014, and the related 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, as of June 30, 2014, 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 3-15, the budgetary comparison information on pages 53-57 and the schedule of funding progress-other postemployment benefit plans on page 58 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 required supplementary information 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fernley's basic financial statements. The introductory section, combining statements and individual nonmajor fund and enterprise fund budgetary comparison 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 financial statements.

The combining statements and individual nonmajor fund and enterprise fund budgetary comparison 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 statements, individual nonmajor fund and enterprise fund budgetary comparison 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 section and statistical section 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 October 25, 2014, on our consideration of the City of Fernley'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 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 of Fernley's internal control over financial reporting and compliance.



HintonBurdick, PLLC

St. George, Utah

October 25, 2014

# 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, 2014. 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 \$141,344,141 at June 30, 2014
- The City's total expenses were \$18,767,578 at June 30, 2014
- Business-Type Activities revenue:
  - Water: \$8,934,773
  - Sewer: \$2,081,977
- Governmental Activities revenue: \$6,401,722
- The City's total revenue was \$17,418,472 at June 30, 2014

## 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 18 and 19 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 20 through 23 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 24 through 26 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 27 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 28 through 50 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 53 through 72 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>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>
Current Assets	\$5,385,159	\$4,523,405	\$15,909,979	\$14,364,428	\$21,295,138	\$18,887,833
Noncurrent Assets	42,513,348	43,511,451	158,918,134	163,135,459	201,431,482	206,646,910
Total Assets	<u>47,898,507</u>	<u>48,034,856</u>	<u>174,828,113</u>	<u>177,499,887</u>	<u>222,726,620</u>	<u>225,534,743</u>
Current Liabilities	869,753	569,188	2,244,603	4,059,954	3,114,356	4,629,142
Noncurrent Liabilities	4,273,939	4,161,018	73,994,184	73,892,079	78,268,123	78,053,097
Total liabilities	<u>5,143,692</u>	<u>4,730,206</u>	<u>76,238,787</u>	<u>77,952,033</u>	<u>81,382,479</u>	<u>82,682,239</u>
Net position:						
Net investment in capital assets	38,673,348	39,585,451	85,184,784	87,153,121	123,858,132	126,738,572
Restricted	451,356	579,648	588,478	-	1,039,834	579,648
Unrestricted	3,630,111	3,139,551	12,816,064	12,394,733	16,446,175	15,534,284
Total net position	<u>\$42,754,815</u>	<u>\$43,304,650</u>	<u>\$98,589,326</u>	<u>\$99,547,854</u>	<u>\$141,344,141</u>	<u>\$142,852,504</u>

*This section intentionally left blank*

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

	Governmental Activities		Business-Type Activities		Total	
	FY14	FY13	FY14	FY13	FY14	FY13
Revenues:						
Program revenues:						
Charges for services	\$2,058,184	\$1,571,102	\$7,156,182	\$6,855,545	\$9,214,366	\$8,426,647
Operating grants and contributions	1,008,428	113,124	-	-	1,008,428	113,124
Capital grants and contributions	616,222	1,385,242	501,543	33,044	1,113,765	1,418,286
General revenues:						
Property taxes	2,145,992	1,924,602	-	-	2,145,992	1,924,602
Consolidated taxes	136,402	132,962	-	-	136,402	132,962
Other shared revenues	320,330	397,244	-	-	320,330	397,244
Bond debt fee	-	-	3,323,649	3,345,781	3,323,649	3,345,781
Miscellaneous revenues	116,164	223,970	35,376	385,695	151,540	609,665
Total revenues	6,401,722	5,748,246	11,016,750	10,620,065	17,418,472	16,368,311
Expenses:						
General government	1,991,411	2,422,886	-	-	1,991,411	2,422,886
Judicial	238,892	215,504	-	-	238,892	215,504
Public works	2,202,499	1,100,290	-	-	2,202,499	1,100,290
Culture & recreation	1,384,571	1,126,357	-	-	1,384,571	1,126,357
Community development	849,079	1,591,456	-	-	849,079	1,591,456
Health	192,690	177,080	-	-	192,690	177,080
Water	-	-	9,323,274	9,284,992	9,323,274	9,284,992
Sewer	-	-	2,492,747	2,396,803	2,492,747	2,396,803
Interest and fiscal charges	92,415	87,015	-	-	92,415	87,015
Total expenses	6,951,557	6,720,588	11,816,021	11,681,795	18,767,578	18,402,383
Increase(decrease) in net position	(549,835)	(972,342)	(799,271)	(1,061,730)	(1,349,106)	(2,034,072)
Net position, July 1	43,304,650	44,276,992	99,547,854	100,609,584	142,852,504	144,886,576
*Restatement adjustment	-	-	(159,257)	-	(159,257)	-
Net position, June 30	\$42,754,815	\$43,304,650	\$98,589,326	\$99,547,854	\$141,344,141	\$142,852,504

\*Restatement due to the implementation of GASB 65. Please see note disclosure #13 page 50.

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 total net position at June 30 as compared to prior year decreased \$1,349,106 during the current fiscal year. This is a result of deficiencies being reported in both governmental and business-type funds, which are a result of expenses exceeding revenues.

*Governmental activities* decreased the City's net position by \$549,835. *Business-type activities* decreased the City's net position by \$799,271. Out of the eight governmental funds, the General Fund, the Transient Lodging Tax Fund and the Capital Improvement Grants Fund did not report deficiencies. The water and sewer funds each reported deficiencies and in this case, depreciation

plays a big role in such deficiencies. Total revenues (excluding capital grants and contributions) increased by \$1,050,161. The increase in revenues is due to an increase in property tax revenue and a slight increase in utility rates. At the close of the current fiscal year, the City's total assets exceeded its total liabilities by \$141,344,141. Therefore, the City has a total positive net position of \$141,344,141.

A large portion of the City's net position (88% or \$16,446,175) 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 (0.01% or \$1,039,834) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (12% or \$16,446,175) 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 \$4,472,590, an increase of \$429,685 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 \$3,156,136. This ending fund balance represents 70% of General Fund expenditures. General Fund nonspendable fund balance, which represents inventories and prepaids, is \$25,250. General Fund restricted fund balance, which includes amounts constrained for a specific purpose by external parties, is \$342,572; General Fund committed fund balance, which represents funds constrained by Council for debt service and public works projects, is \$1,541,178 in the current year. The General Fund assigned fund balance, which is based on the intended use of the funds, is \$405,310; the remaining General Fund fund

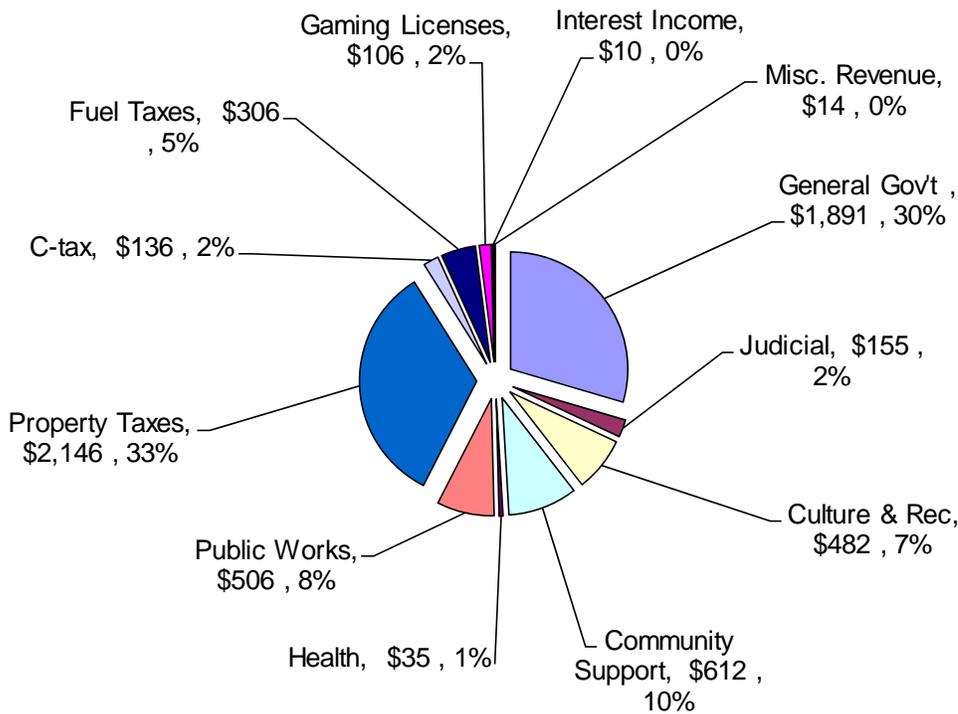
balance of \$841,826 is unassigned. Unassigned fund balance represents 19% of total General Fund expenditures.

At the close of the current fiscal year, excess of revenues over expenditures for the General Fund were \$642,193. In addition, the General Fund had positive working capital of \$3,156,136.

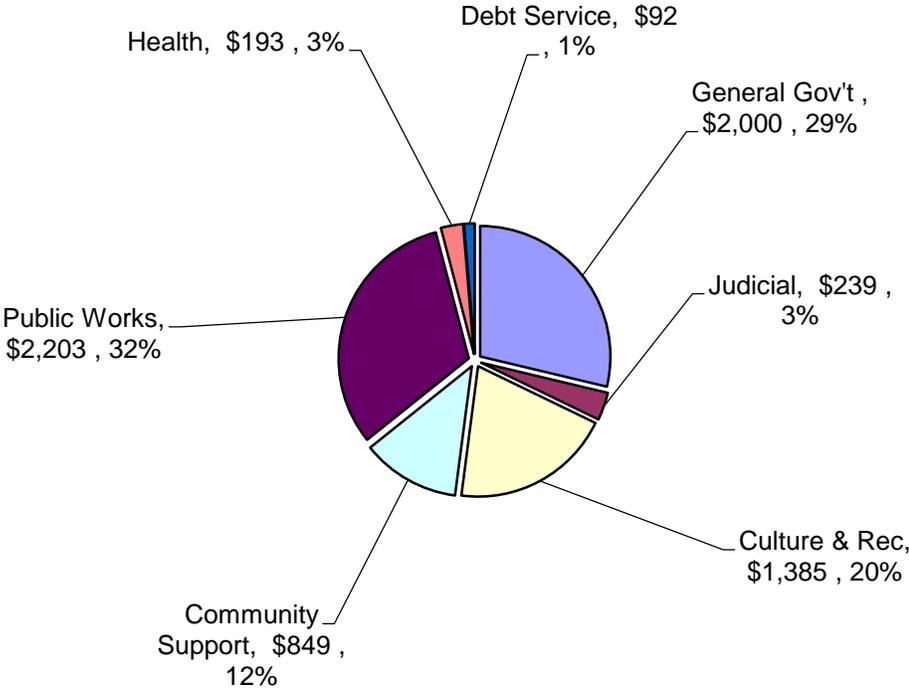
The Grants Fund is used to track revenues and expenditures for various grants that the City has applied for and received. Since the Grants Fund is only used to account for federal and state grants, the fund should not accumulate a large fund balance. Therefore, the Grants Fund ended the fiscal year with a fund balance of \$0.

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. Fund balance for the Capital Projects fund at year end is \$566,381.

### FY 14 Governmental Activities - Revenues (thousands)



**FY 14 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 capital grants and contributions. 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 operating and capital grants and contributions. 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***

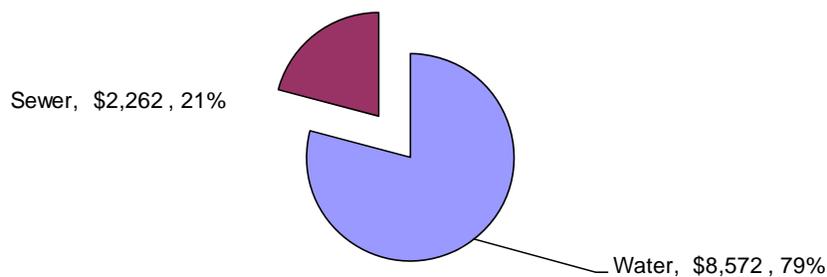
Whereas government funds measure and report available financial resources, *proprietary funds* measure and report economic resources. Proprietary funds are business-like funds and include the City's water and sewer Enterprise Funds.

At the close of the current fiscal year, the City's Enterprise Funds reported a combined ending net position of \$98,589,326, a decrease of \$799,271 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 \$69,998,868. Of that amount \$4,616,549 is unrestricted. Total net position in the Sewer Fund amounted to \$28,590,458. Of that amount, \$8,199,515 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.

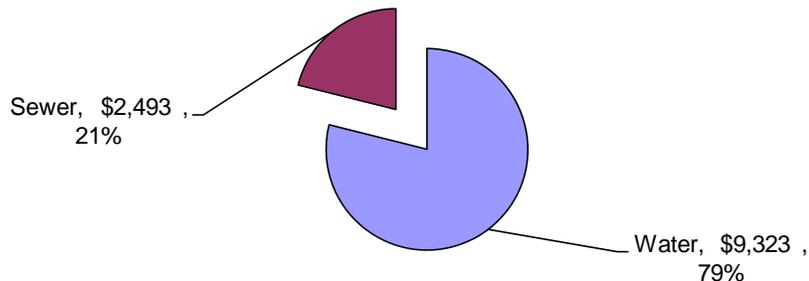
Combined Enterprise Fund revenues increased \$396,685 over the prior year and Combined Enterprise Fund expenses increased by \$134,226 as compared to the prior year. The increase in revenues is due to an increase in utility rates.

In addition, the Enterprise fund had combined positive working capital of \$11,198,855. The Water Fund had positive working capital of \$3,121,460. The Sewer Fund had positive working capital of \$8,077,395.

### **FY 14 Business-Type Activities - Revenue (thousands)**



## FY 14 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.

Total General Fund revenues indicate a negative budget vs. actual variance of \$610,357. 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 \$850,286. This was a result of cutting costs to make up for the shortfall in expected revenue. General Fund excess of revenues over expenditures for the year indicated a positive variance of \$239,929. The net change in fund balance is \$747,700.

Total water revenues (excluding capital contributions) indicate a positive variance of \$50,245. Water expenses indicate a positive variance of \$452,648. This is attributable to a decrease in services and supplies. The Water Fund's change in net position indicates a positive variance of \$866,019. The actual change in net position was (\$388,501). Total sewer revenues indicate a positive variance of \$104,957, which is due to more service fees being received than anticipated and sewer expenses indicate a positive variance of \$354,782, which is due to a savings in total operating expenses. The Sewer Fund's change in net position indicates a positive variance of \$459,739. The actual change in net position was (\$410,770).

Budgetary schedules can be found on pages 53 through 70 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, 2014, amounts to \$123,858,132 (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. The City's total capital assets decreased by \$2,880,440. 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	
	FY14	FY13	FY14	FY13	FY14	FY13
Land	\$3,967,460	\$3,967,460	\$1,195,948	\$1,195,948	\$5,163,408	\$5,163,408
Water rights	--	--	39,078,751	38,720,470	39,078,751	38,720,470
Construction in progress	220,537	35,896	86,251	3,200	306,788	39,096
Buildings	5,684,602	5,988,303	-	-	5,684,602	5,988,303
Improvements other than buildings	9,133,467	9,250,384	117,796,041	121,797,735	126,929,508	131,048,119
Machinery & Equipment	287,645	237,845	138,051	212,053	425,696	449,898
Other capital assets	23,219,637	24,031,563	623,093	704,550	23,842,730	24,736,113
<b>TOTAL</b>	<b>\$42,513,348</b>	<b>\$43,511,451</b>	<b>\$158,918,135</b>	<b>\$162,633,956</b>	<b>\$201,431,483</b>	<b>\$206,145,407</b>

Additional information on the City's capital assets can be found in note 6 of this report.

*Long-term debt.* At the end of the current fiscal year, the City had total bonded debt outstanding of \$73,690,000 and lease-purchase debt of \$3,840,000. 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 \$195,864 and other post employment benefits (OPEB) of \$498,909.

	Governmental activities		Business-type activities		Totals	
	FY14	FY13	FY14	FY13	FY14	FY13
General obligation/revenue bonds	--	--	\$73,690,000	\$75,435,000	\$73,690,000	\$75,435,000
Installment Purchase Debt	\$3,840,000	\$3,926,000	--	--	\$3,840,000	\$3,926,000
Unamortized bond premium	--	--	\$43,350	\$45,835	\$43,350	\$45,835
Compensated absences	\$116,193	\$114,737	\$79,671	\$76,444	\$195,864	\$191,181
Other postemployment benefit obligations	317,746	265,260	181,163	148,796	498,909	414,056
<b>TOTAL</b>	<b>\$4,273,939</b>	<b>\$4,305,997</b>	<b>\$73,994,184</b>	<b>\$75,706,075</b>	<b>\$78,268,123</b>	<b>\$80,012,072</b>

The City's total debt decreased by \$1,743,949 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 42 and 43 of this report.

### **Economic Factors and Next Year's Budget and Rates**

The City submitted the FY 2014/15 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 \$1.4M 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 RTC revenue.

General fund expenditures are budgeted to increase over prior year's actual by \$2.2M. A good portion of the increase is attributable to salary and benefit increases, reclassifications and addition of positions. The increase is also attributable to increases in capital spending and the increase in debt service, which is now close to original costs incurred prior to the refinancing of City Hall.

Water fund revenues are budgeted to increase by \$369K due to the rate increase which went into effect in January 2014 and will be billed for the entire 14/15 fiscal year. Water fund expenses are budgeted to increase by \$462K due to an increase in salaries and benefits, the addition of positions and an increase in operational services and supplies.

Sewer fund revenues are budgeted to increase by \$30K. Sewer fund expenses are budgeted to increase by \$337K due to an increase in salaries and benefits and the addition of positions.

One of the City's main goals is to provide basic services at the most 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
- Maintenance of infrastructure
- Pursuit of the City's fair share of consolidated tax
- Protection of water rights
- Excellence in customer service

The economic outlook for the City of Fernley is positive. Assessed values of real property continue to increase and the City is experiencing a much higher volume of building permit requests, which indicates growth. Many inquiries regarding the availability of land and other questions are coming in at high volumes. With the announcement of TESLA moving to Nevada, the City of Fernley will be faced with more growth and it is up to management to analyze and prepare for such growth. The current 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.

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**BASIC FINANCIAL STATEMENTS**

**CITY OF FERNLEY, NEVADA**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 4,709,957	\$ 13,758,193	\$ 18,468,150
Receivables (net of allowance)	649,952	980,217	1,630,169
Inventory	25,250	85,346	110,596
Prepays	-	497,745	497,745
Restricted assets:			
Temporarily restricted:			
Cash and investments	-	588,478	588,478
Capital assets (net of accumulated depreciation):			
Land and water rights	3,967,460	40,274,699	44,242,159
Construction in progress	220,537	86,251	306,788
Buildings	5,684,602	-	5,684,602
Improvements and other	9,133,467	118,419,134	127,552,601
Machinery, equipment and vehicles	287,645	138,050	425,695
Infrastructure	23,219,637	-	23,219,637
Total assets	<u>47,898,507</u>	<u>174,828,113</u>	<u>222,726,620</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	818,853	233,430	1,052,283
Unearned revenue	50,900	-	50,900
Refundable deposits	-	588,478	588,478
Accrued interest	-	1,422,695	1,422,695
Noncurrent liabilities:			
Due within one year	290,326	1,878,043	2,168,369
Due in more than one year	3,983,613	72,116,141	76,099,754
Total liabilities	<u>5,143,692</u>	<u>76,238,787</u>	<u>81,382,479</u>
<b>Net Position</b>			
Net investment in capital assets	38,673,348	85,184,784	123,858,132
Restricted for:			
Capital projects	58,020	-	58,020
Future development	327,747	-	327,747
Debt service	-	588,478	588,478
Judicial	65,589	-	65,589
Unrestricted	3,630,111	12,816,064	16,446,175
Total net position	<u>\$ 42,754,815</u>	<u>\$ 98,589,326</u>	<u>\$ 141,344,141</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,991,411	\$ 1,870,597	\$ 20,722	\$ -	\$ (100,092)	\$ -	\$ (100,092)
Public works	2,202,499	17,019	10,477	478,772	(1,696,231)	-	(1,696,231)
Judicial	238,892	155,846	-	-	(83,046)	-	(83,046)
Health	192,690	-	35,378	-	(157,312)	-	(157,312)
Culture and recreation	1,384,571	14,722	330,145	137,450	(902,254)	-	(902,254)
Community support and development	849,079	-	611,706	-	(237,373)	-	(237,373)
Interest on long-term debt	92,415	-	-	-	(92,415)	-	(92,415)
Total governmental activities	<u>6,951,557</u>	<u>2,058,184</u>	<u>1,008,428</u>	<u>616,222</u>	<u>(3,268,723)</u>	<u>-</u>	<u>(3,268,723)</u>
Business-type activities:							
Water	9,323,274	5,174,551	-	422,178	-	(3,726,545)	(3,726,545)
Sewer	2,492,747	1,981,631	-	79,365	-	(431,751)	(431,751)
Total business-type activities	<u>11,816,021</u>	<u>7,156,182</u>	<u>-</u>	<u>501,543</u>	<u>-</u>	<u>(4,158,296)</u>	<u>(4,158,296)</u>
Total primary government	<u>\$ 18,767,578</u>	<u>\$ 9,214,366</u>	<u>\$ 1,008,428</u>	<u>\$ 1,117,765</u>			
		General Revenues:					
		Taxes:					
					2,145,992	-	2,145,992
					136,402	-	136,402
					306,330	-	306,330
					14,000	3,323,649	3,337,649
					106,132	-	106,132
					-	2,742	2,742
					10,032	32,634	42,666
					<u>2,718,888</u>	<u>3,359,025</u>	<u>6,077,913</u>
					(549,835)	(799,271)	(1,349,106)
					43,304,650	99,547,854	142,852,504
					-	(159,257)	(159,257)
					<u>\$ 42,754,815</u>	<u>\$ 98,589,326</u>	<u>\$ 141,344,141</u>

61

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	<b>General Fund</b>	<b>Special Revenue Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ 3,320,268	\$ -	\$ 1,389,689	\$ 4,709,957
Receivables:				
Property taxes	52,227	-	-	52,227
Interest receivable	1,343	-	537	1,880
Other	267,653	-	42,402	310,055
Due from other governments	22,809	262,981	-	285,790
Due from other funds	121,967	-	-	121,967
Inventories and prepaids	25,250	-	-	25,250
Total assets	<u>\$ 3,811,517</u>	<u>\$ 262,981</u>	<u>\$ 1,432,628</u>	<u>\$ 5,507,126</u>
<b>Liabilities</b>				
Accounts payable	\$ 350,471	\$ 141,014	\$ 116,174	\$ 607,659
Accrued liabilities	51,370	-	-	51,370
Due to other funds	-	121,967	-	121,967
Due to developers	159,824	-	-	159,824
Unearned revenue	50,900	-	-	50,900
Total liabilities	<u>612,565</u>	<u>262,981</u>	<u>116,174</u>	<u>991,720</u>
<b>Deferred inflows of resources</b>				
Unavailable revenue - property taxes	42,816	-	-	42,816
<b>Fund balances</b>				
Nonspendable:				
Inventories and prepaids	25,250	-	-	25,250
Restricted for:				
Judicial	-	-	65,589	65,589
Capital projects	14,825	-	43,195	58,020
Future development	327,747	-	-	327,747
Committed:				
Capital projects	-	-	566,381	566,381
Convention center	-	-	507,599	507,599
Debt service	750,000	-	-	750,000
Public works	791,178	-	-	791,178
Assigned to:				
Next year's budget appropriation	405,310	-	-	405,310
Capital outlay	-	-	133,690	133,690
Unassigned	841,826	-	-	841,826
Total fund balances	<u>3,156,136</u>	<u>-</u>	<u>1,316,454</u>	<u>4,472,590</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 3,811,517</u>	<u>\$ 262,981</u>	<u>\$ 1,432,628</u>	<u>\$ 5,507,126</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

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

Total fund balances - total governmental funds		\$ 4,472,590
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 57,161,479	
Accumulated depreciation	<u>(14,648,131)</u>	42,513,348
Some liabilities, including bonds payable, capital leases, and interest payable are not due and payable in the current period and therefore are not reported in the		
Bonds payable	(3,840,000)	
Compensated absences	(116,193)	
Other postemployment benefits liability	<u>(317,746)</u>	(4,273,939)
Unavailable revenue associated with property taxes is recognized as revenue in the government-wide statements.		
		42,816
Net position of governmental activities		<u><u>\$ 42,754,815</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>General</u>	<u>Special Revenue Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 2,143,338	\$ -	\$ 267,845	\$ 2,411,183
Licenses, permits and fees	1,867,564	-	-	1,867,564
Intergovernmental revenue	848,212	927,154	1,374	1,776,740
Fines and forfeitures	124,395	-	31,450	155,845
Investment earnings	6,625	-	3,407	10,032
Other revenues	163,706	-	-	163,706
	<u>5,153,840</u>	<u>927,154</u>	<u>304,076</u>	<u>6,385,070</u>
<b>Expenditures</b>				
Current:				
General government	1,933,656	-	-	1,933,656
Public works	1,013,580	142,620	-	1,156,200
Judicial	216,305	-	19,585	235,890
Health	154,897	35,379	-	190,276
Culture and recreation	600,093	137,450	171,750	909,293
Community support and development	414,701	620,863	-	1,035,564
Debt service:				
Principal	86,000	-	-	86,000
Interest	92,415	-	-	92,415
Capital outlay	-	-	316,091	316,091
	<u>4,511,647</u>	<u>936,312</u>	<u>507,426</u>	<u>5,955,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>642,193</u>	<u>(9,158)</u>	<u>(203,350)</u>	<u>429,685</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	105,507	-	-	105,507
Transfers out	-	(105,507)	-	(105,507)
	<u>105,507</u>	<u>(105,507)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	747,700	(114,665)	(203,350)	429,685
Fund balances, beginning of year	<u>2,408,436</u>	<u>114,665</u>	<u>1,519,804</u>	<u>4,042,905</u>
Fund balances, end of year	<u>\$ 3,156,136</u>	<u>\$ -</u>	<u>\$ 1,316,454</u>	<u>\$ 4,472,590</u>

The accompanying notes are an integral part of the financial statements.

**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, 2014**

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

Net change in fund balances - total governmental funds	\$	429,685
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
Capital outlay	\$	543,370
Depreciation expense		<u>(1,541,473)</u>
		(998,103)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		86,000
<p>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.</p>		
		(13,478)
<p>Compensated absences and other postemployment benefit obligation expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the change in compensated absences and other postemployment benefit obligations.</p>		
		(53,939)
Change in net position of governmental activities	<u>\$</u>	<u>(549,835)</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 5,270,739	\$ 8,487,454	\$ 13,758,193
Receivables, net of allowance	781,247	193,554	974,801
Interest receivable	2,047	3,369	5,416
Inventory	72,324	13,022	85,346
Prepaid expense	432,212	65,533	497,745
Total current assets	<u>6,558,569</u>	<u>8,762,932</u>	<u>15,321,501</u>
Noncurrent assets:			
Restricted cash and investments	288,982	299,496	588,478
Capital assets:			
Land and water rights	40,088,989	185,710	40,274,699
Construction-in-progress	21,009	65,242	86,251
Buildings	8,765	8,765	17,530
Improvements and other	114,873,413	37,594,338	152,467,751
Machinery, equipment and vehicles	868,703	985,198	1,853,901
Less accumulated depreciation	(24,182,043)	(11,599,955)	(35,781,998)
Total noncurrent assets	<u>131,967,818</u>	<u>27,538,794</u>	<u>159,506,612</u>
Total assets	<u>138,526,387</u>	<u>36,301,726</u>	<u>174,828,113</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	147,951	55,913	203,864
Accrued liabilities	20,952	8,614	29,566
Refundable deposits	288,982	299,496	588,478
Accrued interest	1,285,879	136,816	1,422,695
Compensated absences	47,120	8,438	55,558
Bonds payable - current	1,646,225	176,260	1,822,485
Total current liabilities	<u>3,437,109</u>	<u>685,537</u>	<u>4,122,646</u>
Noncurrent liabilities:			
Compensated absences	20,451	3,662	24,113
Other postemployment benefits obligation	130,685	50,478	181,163
Bonds payable	64,939,274	6,971,591	71,910,865
Total noncurrent liabilities	<u>65,090,410</u>	<u>7,025,731</u>	<u>72,116,141</u>
Total liabilities	<u>68,527,519</u>	<u>7,711,268</u>	<u>76,238,787</u>
<b>Net position</b>			
Net investment in capital assets	65,093,337	20,091,447	85,184,784
Restricted for debt service	288,982	299,496	588,478
Unrestricted	4,616,549	8,199,515	12,816,064
Total net position	<u>\$ 69,998,868</u>	<u>\$ 28,590,458</u>	<u>\$ 98,589,326</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
<b>Operating revenues</b>			
Service fees	\$ 4,940,786	\$ 1,981,631	\$ 6,922,417
Other revenues	198,689	-	198,689
Total operating revenues	<u>5,139,475</u>	<u>1,981,631</u>	<u>7,121,106</u>
<b>Operating expenses</b>			
Salaries	859,999	367,975	1,227,974
Employee benefits	368,850	161,012	529,862
Service, supplies and other	1,763,567	635,695	2,399,262
Depreciation expense	3,192,486	995,063	4,187,549
Total operating expenses	<u>6,184,902</u>	<u>2,159,745</u>	<u>8,344,647</u>
Operating income (loss)	<u>(1,045,427)</u>	<u>(178,114)</u>	<u>(1,223,541)</u>
<b>Nonoperating revenues (expenses)</b>			
Bond debt fee revenue	3,323,649	-	3,323,649
Connection fee revenue	59,052	79,365	138,417
Interest income	12,631	20,003	32,634
Other income	35,076	-	35,076
Gain/(loss) on disposals of capital assets	1,764	978	2,742
Interest expense	<u>(3,138,372)</u>	<u>(333,002)</u>	<u>(3,471,374)</u>
Total nonoperating revenues (expenses)	<u>293,800</u>	<u>(232,656)</u>	<u>61,144</u>
Income (loss) before contributions	(751,627)	(410,770)	(1,162,397)
Capital contributions	<u>363,126</u>	<u>-</u>	<u>363,126</u>
<b>Change in net position</b>	(388,501)	(410,770)	(799,271)
Total net position, beginning of year	70,534,411	29,013,443	99,547,854
Restatement adjustment	<u>(147,042)</u>	<u>(12,215)</u>	<u>(159,257)</u>
<b>Total net position, end of year</b>	<u>\$ 69,998,868</u>	<u>\$ 28,590,458</u>	<u>\$ 98,589,326</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Water Fund	Sewer Fund	Total Enterprise Funds
<b>Cash flows from operating activities:</b>			
Cash received from customers, service fees	\$ 4,782,796	\$ 1,978,196	\$ 6,760,992
Cash received from customers, capacity fees and other	198,689	-	198,689
Cash paid to suppliers	(1,887,565)	(678,782)	(2,566,347)
Cash paid to employees	(1,178,461)	(514,215)	(1,692,676)
Net cash flows from operating activities	<u>1,915,459</u>	<u>785,199</u>	<u>2,700,658</u>
<b>Cash flows from capital and related financing activities:</b>			
Sales taxes	35,076	-	35,076
Bond debt fee revenue	3,323,649	-	3,323,649
Principal paid on capital debt	(1,576,869)	(168,131)	(1,745,000)
Interest paid on capital debt	(3,165,051)	(336,402)	(3,501,453)
Acquisition and construction of capital assets	(12,965)	(95,641)	(108,606)
Proceeds from capital asset disposals	1,764	978	2,742
Connection fees	59,052	79,365	138,417
Net cash flows from capital and related financing activities	<u>(1,335,344)</u>	<u>(519,831)</u>	<u>(1,855,175)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	10,584	16,634	27,218
Net change in cash and investments	590,699	282,002	872,701
Cash and investments, including restricted, beginning of year	4,969,022	8,504,948	13,473,970
<b>Cash and investments, including restricted, end of year</b>	<u><u>\$ 5,559,721</u></u>	<u><u>\$ 8,786,950</u></u>	<u><u>\$ 14,346,671</u></u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income (loss)	\$ (1,045,427)	\$ (178,114)	\$ (1,223,541)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation expense	3,192,486	995,063	4,187,549
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	(160,101)	(6,026)	(166,127)
(Increase) decrease in inventories	7,016	(10,579)	(3,563)
(Increase) decrease in prepaid expenses	(116,215)	(39,283)	(155,498)
Increase (decrease) in accounts payable	7,117	16,199	23,316
Increase (decrease) in accrued liabilities	(964)	(810)	(1,774)
Increase (decrease) in customer deposits	2,111	2,591	4,702
Increase (decrease) in other postemployment benefits	23,885	8,482	32,367
Increase (decrease) in compensated absences payable	5,551	(2,324)	3,227
Net cash flows from operating activities	<u><u>\$ 1,915,459</u></u>	<u><u>\$ 785,199</u></u>	<u><u>\$ 2,700,658</u></u>
<b>Noncash investing, capital, and financing activities:</b>			
Contributions of capital assets from developers	\$ 363,126	\$ -	\$ 363,126

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Statement of Net Position**  
**Fiduciary Fund**  
**June 30, 2014**

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	<u>Municipal Trust Fund</u>
<b>Assets</b>	
Current assets:	
Cash and investments	<u>\$          6,565</u>
Total assets	<u><u>\$          6,565</u></u>
 <b>Liabilities</b>	
Current liabilities:	
Bail bond deposits held for others	<u>                  6,565</u>
Total liabilities	<u><u>\$          6,565</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting entity**

The City of Fernley, Nevada (City) 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 and administrative services. Prior to July 1, 2001, the entity was organized as an unincorporated town in accordance with Nevada Revised Statutes 269. The accompanying financial statements present all activities of the City. The City has no separate component units, entities for which the City is considered to be financially accountable that would be combined to form the reporting entity.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Grants Fund** is used to account for federal and state grants that are restricted or committed for a specific use.

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 sewer collection and treatment services for 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 type:

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

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, consolidated taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement* focus and the *accrual basis of accounting*. The trust and agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

*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.

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Nevada State Statutes (NRS 355 and NRS355.170). All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

*Cash equivalents*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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*

Due to the nature of the accounts receivable in the governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material.

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

*Inventories and prepaid items*

Proprietary fund inventories are valued at cost using the first-in/first-out (FIFO) method and consist of supplies and materials. 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 the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

*Restricted Assets*

City policy requires that certain resources be set aside for various purposes in the City's water and sewer utility funds.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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*Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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.

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.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	25 to 40 years
Treatment facilities and improvements	10 to 20 years
Machinery, equipment and vehicles	5 to 10 years
Other capital assets	25 to 40 years
Infrastructure - Streets and sidewalks	20 to 40 years

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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*Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city manager is authorized to assign amounts to specific purposes in accordance with the City’s budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Revenues and expenditures/expenses**

*Program revenues*

Amounts reported as 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 segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. 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.

Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

*Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 21.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current financial resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 23.

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**NOTE 3. Stewardship, Compliance and Accountability**

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**Budgets and budgetary accounting**

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 or 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.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 3. Stewardship, Compliance and Accountability, Continued**

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

**Expenditures over Appropriations**

The individual Schedule of Revenues, Expenditures/Expenses and Changes in Fund Balances/Net Position – Budget and Actual reports as listed in the table of contents present all of the funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014, if any.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

**Property tax calendar**

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 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

Article X, Section 2, of the Constitution of the State of Nevada limits the total taxes levied by all overlapping governmental units within the boundaries of any county (i.e., the county, the county school district, the State, and any other city, town, or special district) to an amount not to exceed \$5 per \$100 of assessed valuation of the property being taxed.

The 1979 Nevada Legislature enacted provisions whereby, commencing July 1, 1979, the combined overlapping tax rate was limited to \$3.64 per \$100 of assessed valuation (as thereafter annually adjusted).

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 3. Stewardship, Compliance and Accountability, Continued**

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The 1981 Legislature enacted “tax shift” legislation designed to further reduce the level of property taxes collected throughout the State. The additional revenue is being distributed to local governmental units in order to reduce the revenues they would otherwise be required to generate from property taxes for operating purposes.

Delinquent taxes receivable not collected within sixty days after year-end are normally recorded as unavailable revenue as they are not available to pay liabilities of the current period. However, delinquent taxes receivable as of year-end were not deemed material and have not been recorded.

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**NOTE 4. Cash and Investments**

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A reconciliation of cash deposits and investments to the government-wide statement of net position is as follows:

Cash and investments	\$ 18,468,150
Restricted cash and investments	588,478
Trust and agency fund monies	<u>6,565</u>
	<u><u>\$ 19,063,193</u></u>

**Deposits**

*Custodial credit risk*

For deposits this is the risk that in the event of a bank failure, the City’s deposit may not be returned. The City does not have a formal policy for custodial credit risk. At June 30, 2014, none of the City’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Nevada State Treasurer’s Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Nevada Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Nevada, and participants share proportionally in any realized gain or losses on investments.

The provisions of State Law (NRS 355.170) govern the investment of public funds.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 4. Cash and Investments, Continued**

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As of June 30, 2014 the City had the following investments, maturities and credit ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>		<u>Weighted Average Maturity (2)</u>
		<u>S&amp;P</u>	<u>Moody's</u>	
Corporate Bonds	\$ 2,021,574	N/A	N/A	870
Money Market Fund	34,603	N/A	N/A	360
Mortgage-Backed	2,034,214	N/A	N/A	2,640
U.S. Agencies	753,149	AA+	Aaa	254
U.S. Treasuries	5,357,875	AA+	Aaa	266
Nevada Local Government Investment Pool	3,750,933	N/A	N/A	80
Total Fair Value	<u>\$ 13,952,348</u>			

- (1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.  
(2) Interest rate risk is estimated using the weighted average days to maturity.  
(3) FDIC insured.

***Interest rate risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (NRS 355.170).

***Credit risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (NRS 355.170).

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 5. Receivables**

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**Receivables, net of allowance**

A summary of receivables reported in the proprietary funds is as follows:

	<u>Water</u>	<u>Sewer</u>
Service revenue receivable	\$ 604,784	\$ 197,893
Allowance for doubtful accounts	<u>(22,926)</u>	<u>(4,339)</u>
	581,858	193,554
Bond debt fees receivable	<u>199,389</u>	<u>-</u>
	<u><u>\$ 781,247</u></u>	<u><u>\$ 193,554</u></u>

**Due from other governments**

Due from other governments reported in the General fund relate to consolidated tax revenue receivable.

Due from other governments reported in the Grants fund relate to various grant revenue receivable.

**Other receivables**

The other receivables reported in the general fund are franchise taxes receivable that were measurable and available per GASB.

The other receivables reported in the Non-major governmental funds relate to miscellaneous court revenue receivable and transient lodging tax revenues receivable from various entities.

*This section intentionally left blank*

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 6. Capital Assets**

Governmental capital asset activity for the year ended June 30, 2014 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:				
Land	\$ 3,967,460	\$ -	\$ -	\$ 3,967,460
Construction in progress	35,896	388,572	(203,931)	220,537
Total capital assets, not being depreciated:	<u>4,003,356</u>	<u>388,572</u>	<u>(203,931)</u>	<u>4,187,997</u>
Capital assets, being depreciated:				
Buildings	8,599,098	39,467	-	8,638,565
Improvements	12,694,445	203,931	-	12,898,376
Machinery and equipment	1,331,571	115,331	(15,240)	1,431,662
Infrastructure	30,004,879	-	-	30,004,879
Total capital assets, being depreciated:	<u>52,629,993</u>	<u>358,729</u>	<u>(15,240)</u>	<u>52,973,482</u>
Less accumulated depreciation for:				
Buildings	(2,610,795)	(343,168)	-	(2,953,963)
Improvements	(3,444,061)	(320,848)	-	(3,764,909)
Machinery and equipment	(1,093,726)	(65,531)	15,240	(1,144,017)
Infrastructure	(5,973,316)	(811,926)	-	(6,785,242)
Total accumulated depreciation	<u>(13,121,898)</u>	<u>(1,541,473)</u>	<u>15,240</u>	<u>(14,648,131)</u>
Total capital assets, being depreciated, net	<u>39,508,095</u>	<u>(1,182,744)</u>	<u>-</u>	<u>38,325,351</u>
Governmental activities capital assets, net	<u>\$ 43,511,451</u>	<u>\$ (794,172)</u>	<u>\$ (203,931)</u>	<u>\$ 42,513,348</u>

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

<b>Governmental Activities:</b>	
General government	\$ 39,092
Public works	1,034,878
Judicial	672
Culture and recreation	466,296
Health	535
Total depreciation expense - governmental activities	<u>\$ 1,541,473</u>

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 6. Capital Assets, Continued**

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Business-type capital asset activity for the year ended June 30, 2014 was as follows:

<b>Business Type Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Capital assets not being depreciated:				
Land	\$ 1,195,948	\$ -	\$ -	\$ 1,195,948
Water rights	38,720,470	358,281	-	39,078,751
Construction in progress	3,200	83,051	-	86,251
Total capital assets, not being depreciated	<u>39,919,618</u>	<u>441,332</u>	<u>-</u>	<u>40,360,950</u>
Capital assets being depreciated:				
Buildings	17,530	-	-	17,530
Improvements	150,800,697	-	(4,577)	150,796,120
Machinery and equipment	1,901,306	30,399	(77,802)	1,853,901
Other capital assets	1,671,630	-	-	1,671,630
Total capital assets, being depreciated	<u>154,391,163</u>	<u>30,399</u>	<u>(82,379)</u>	<u>154,339,181</u>
Less accumulated depreciation for:				
Buildings	(17,530)	-	-	(17,530)
Improvements	(29,002,963)	(4,001,694)	4,577	(33,000,080)
Machinery and equipment	(1,689,256)	(104,397)	77,802	(1,715,850)
Other capital assets	(967,079)	(81,458)	-	(1,048,537)
Total accumulated depreciation	<u>(31,676,828)</u>	<u>(4,187,549)</u>	<u>82,379</u>	<u>(35,781,997)</u>
Total capital assets, being depreciated, net	<u>122,714,335</u>	<u>(4,157,150)</u>	<u>-</u>	<u>118,557,184</u>
Business-type activities capital assets, net	<u>\$ 162,633,953</u>	<u>\$ (3,715,818)</u>	<u>\$ -</u>	<u>\$ 158,918,134</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 3,192,486
Sewer	995,063
Total depreciation expense - business-type activities	<u>\$ 4,187,549</u>

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7. Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Issue Date	Interest Rate	Maturity Date	Authorized and Issued	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
<b>Governmental Activities:</b>									
Refunding Installment Purchase Agreement	6/29/2012	2.38%	12/1/2025	\$ 4,010,000	\$ 3,926,000	\$ -	\$ (86,000)	\$ 3,840,000	\$ 280,000
Compensated absences					114,737	35,877	(34,421)	116,193	10,326
Net other postemployment benefit obligations payable					265,260	52,486	-	317,746	-
<b>Total governmental activities</b>					<u>4,305,997</u>	<u>88,363</u>	<u>(120,421)</u>	<u>4,273,939</u>	<u>290,326</u>
<b>Business-type Activities:</b>									
Sewer Fund:									
2007 Bond Issue	3/28/2007	4% - 5%	2/1/2037	5,500,000	5,005,550	-	(113,300)	4,892,250	118,800
2008 Bond Issue	4/1/2008	3.25%-5%	2/1/2038	2,500,000	2,295,245	-	(54,831)	2,240,414	56,748
				8,000,000	7,300,795	-	(168,131)	7,132,664	175,548
Water Fund:									
2007 Bond Issue	3/28/2007	4% - 5%	2/1/2037	44,500,000	40,499,450	-	(916,700)	39,582,750	961,200
2008 Bond Issue	4/1/2008	3.25%-5%	2/1/2038	30,100,000	27,634,755	-	(660,169)	26,974,586	683,252
				74,600,000	68,134,205	-	(1,576,869)	66,557,336	1,644,452
Unamortized bond (discount)/premium					45,835	-	(2,485)	43,350	2,485
Compensated absences					76,444	61,689	(58,462)	79,671	55,558
Net other postemployment benefit obligations payable					148,796	32,367	-	181,163	-
<b>Total Business Type Activities</b>					<u>75,706,075</u>	<u>94,056</u>	<u>(1,805,947)</u>	<u>73,994,184</u>	<u>1,878,043</u>
<b>Total Long Term Debt</b>					<u>\$ 80,012,072</u>	<u>\$ 182,419</u>	<u>\$ (1,926,368)</u>	<u>\$ 78,268,123</u>	<u>\$ 2,168,369</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.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 7. Long-Term Liabilities, Continued**

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Estimated debt service requirements for bonds payable are as follows:

Period Ending June 30,	Governmental Activities		Business-Type Activities			
	General Obligation		Sewer		Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 280,000	\$ 88,060	\$ 175,548	\$ 328,359	\$ 1,644,452	\$ 3,086,110
2016	286,000	81,325	183,516	321,550	1,716,484	3,022,894
2017	293,000	74,435	191,483	312,374	1,788,517	2,937,070
2018	301,000	67,366	200,383	302,800	1,869,617	2,847,644
2019	308,000	60,119	209,834	293,410	1,955,166	2,761,734
2020-2024	1,654,000	185,759	1,205,148	1,307,639	11,199,852	12,347,236
2025-2029	718,000	17,184	1,522,754	1,007,747	14,107,246	9,552,084
2030-2034	-	-	1,919,067	617,381	17,755,933	5,891,338
2035-2038	-	-	1,524,931	154,522	14,520,069	1,529,141
<b>Total</b>	<b>\$ 3,840,000</b>	<b>\$ 574,248</b>	<b>\$ 7,132,664</b>	<b>\$ 4,645,782</b>	<b>\$ 66,557,336</b>	<b>\$ 43,975,251</b>

The combined total debt service for both governmental and business-type debt is as follows:

Period Ending June 30,	Combined Total	
	Principal	Interest
2015	\$ 2,100,000	\$ 3,502,529
2016	2,186,000	3,425,769
2017	2,273,000	3,323,879
2018	2,371,000	3,217,810
2019	2,473,000	3,115,263
2020-2024	14,059,000	13,840,634
2025-2029	16,348,000	10,577,015
2030-2034	19,675,000	6,508,719
2035-2038	16,045,000	1,683,663
<b>Total</b>	<b>\$ 77,530,000</b>	<b>\$ 49,195,281</b>

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 8. Postemployment Retirement Health Insurance Benefit**

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*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, 2014, three City retirees were 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, 2014, four 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 \$8,015 for fiscal year 2014. 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, 2014, City retirees qualified for a subsidy of \$114 at five years of service and \$627 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 2014, the City contributed \$10,492 to the plan, equal to required contributions. The City did not prefund future benefits.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Postemployment Retirement Health Insurance Benefit, Continued**

*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 2013-14, 2012-13, and 2011-12 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, 2014	\$ 95,747	\$ 8,015	8%	\$ 478,279
COFEHBP	June 30, 2013	89,396	6,134	7%	390,547
COFEHBP	June 30, 2012	110,191	-	0%	307,285
PEBP	June 30, 2014	9,782	12,661	129%	20,630
PEBP	June 30, 2013	9,848	11,834	120%	23,509
PEBP	June 30, 2012	24,323	11,048	45%	25,495
Combined Totals	June 30, 2014	105,529	20,676	-	498,909
Combined Totals	June 30, 2013	99,244	17,968	-	414,056
Combined Totals	June 30, 2012	134,514	11,048	-	332,780

The net OPEB obligation (NOPEBO) as of June 30, 2014, was calculated as follows:

	COFEHBP	PEBP	Total
Annual Required Contribution (ARC)	\$ 97,706	\$ 10,313	\$ 108,019
Interest on net OPEB obligation	15,622	940	16,562
Adjustment to annual required contribution	(17,581)	(1,471)	(19,052)
Annual OPEB Cost	95,747	9,782	105,529
Less: Contributions made	8,015	12,661	20,676
Increase (decrease) in net OPEB obligation	87,732	(2,879)	84,853
Net OPEB obligation – beginning of the year	390,547	23,509	414,056
Net OPEB obligation – end of year	\$ 478,279	\$ 20,630	\$ 498,909

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 8. Postemployment Retirement Health Insurance Benefit, Continued**

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*Funded Status and Funding Progress:* The funded status of the plans as the most recent actuarial valuation 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)	-	-	-
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>\$ 2,551,806</u>	<u>N/A</u>	
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll $([(a) - (b)] / (c))$	<u>19%</u>	<u>N/A</u>	

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.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Postemployment Retirement Health Insurance Benefit, Continued**

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

	<b>COFEHBP</b>	<b>PEBP</b>
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
<b>Actuarial Assumptions:</b>		
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.		

**NOTE 9. Interfund Transactions and Balances**

As of June 30, 2014, the City had the following internal balances:

<u><b>Due To</b></u>	<u><b>Due From</b></u> Grants Fund	<u>Total</u>
General Fund	\$ 121,967	\$ 121,967
Total	<u>\$ 121,967</u>	<u>\$ 121,967</u>

Interfund balances resulted from the time lag between the dates that (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. All interfund balances are expected to be repaid within one year.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 9. Interfund Transactions and Balances, Continued**

For the year ended June 30, 2014, the City made the following interfund transfers:

<b>Transfers out</b>	<b>Transfers in</b>	
	General Fund	Total
Grants Fund	\$ 105,507	\$ 105,507
Total	\$ 105,507	\$ 105,507

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 10. 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.

All full-time employees are covered under the system. In addition, those part-time employees working at least 20 hours per week and more than 120 days are covered, except for those employees who participate in PERS with an employer other than the City. The payroll for employees covered by the system for the year ended June 30, 2014 was \$2,804,596. The City's total payroll was \$2,967,164.

*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.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Defined Benefit Pension Plan, Continued**

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

<u>Fiscal Year End</u>	<u>Contribution Rate ER</u>	<u>Contribution Rate ER/EE</u>	<u>Total Contribution</u>
June 30, 2014	25.75%	13.25%	\$ 654,974
June 30, 2013	23.75%	12.25%	\$ 665,231
June 30, 2012	23.75%	12.25%	\$ 628,641

Member contribution rates are established by NRS 286.465. That statute, which is tied to the increase in taxable sales within the State each year, provides for yearly increases of up to one percent until such time as the actuarially determined unfunded liability of the Plan is reduced to zero.

The City's contribution represented less than 1 percent of total contributions required of all participating entities of the system.

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**NOTE 11. Risk Management**

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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.

**CITY OF FERNLEY, NEVADA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 12. Commitments and Contingencies**

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The City is involved with several significant construction contracts that will continue from fiscal year 2014 through subsequent fiscal years. Details of the projects are available in the City's fiscal year 2015 budget.

The City is involved in various matters of litigation. Although the outcome of the litigation is not presently determinable, it is the opinion of City officials that none of the cases will have a materially adverse effect on the City's financial condition.

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**NOTE 13. Restatements and Reclassifications**

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As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs (excluding the prepaid insurance portion) previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Water and Sewer fund in the amount of \$147,042 and \$12,215 respectively. Assets of the Water and Sewer fund were reduced by the same amount.

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**NOTE 14. Subsequent Event**

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On October 23, 2014, the City issued \$12,865,000 of General Obligation (Limited Tax) Water and Sewer Refunding Bonds (Additionally Secured by Pledged Revenues) Series 2014 to refinance a portion of the City's General Obligation (Limited Tax) Water and Sewer Bonds (Additionally Secured by Pledged Revenues) Series 2007 and Series 2008. \$8,400,000 of the Series 2007 Bond and \$3,245,000 of the Series 2008 Bond will be refunded. As a result, the refunded portion of the bonds will be considered to be defeased. The transaction resulted in an economic gain (the present value of future cash flows) of \$832,403 and a reduction of 955,102 in future debt service payments. The interest rate on the bonds is 2.48 percent. Semi-annual principal and interest payments are payable through February 1, 2026.

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**CITY OF FERNLEY, NEVADA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**MAJOR GOVERNMENTAL FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL**

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Budget and 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 three internally reported funds of the City, not meeting the definition of a special revenue fund, do not qualify to be separately presented for external reporting purposes.

The following funds that are reported separately for internal reporting purposes by the City are combined with the General Fund for external financial reporting:

- Residential Construction Tax Fund
- Parks and Facilities Fund
- Computer Technology Fund

The **Grants Fund** is used to account for federal and state grants that are restricted or committed for a specific use.

**CITY OF FERNLEY, NEVADA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
<b>Taxes:</b>				
Property tax	\$ 2,153,267	\$ 2,153,267	\$ 2,129,338	\$ (23,929)
Residential construction tax	-	-	14,000	14,000
Total taxes	<u>2,153,267</u>	<u>2,153,267</u>	<u>2,143,338</u>	<u>(9,929)</u>
<b>Licenses, permits and fees:</b>				
Business licenses	190,000	190,000	180,535	(9,465)
Franchise fee	1,300,000	1,300,000	1,208,054	(91,946)
Liquor licenses	26,000	26,000	26,738	738
Gaming licenses	100,000	100,000	106,132	6,132
Building permits	95,000	95,000	316,631	221,631
Planning and zoning fees	25,000	25,000	10,414	(14,586)
Public works and inspection fees	-	-	6,606	6,606
Other permits and fees	10,350	10,350	12,454	2,104
Total licenses, fees and permits	<u>1,746,350</u>	<u>1,746,350</u>	<u>1,867,564</u>	<u>121,214</u>
<b>Intergovernmental:</b>				
Motor vehicle fuel tax	296,196	296,196	306,330	10,134
RTC shared revenue	660,000	660,000	10,477	(649,523)
State consolidated tax	132,300	132,300	136,402	4,102
Fernley park agreement	60,000	60,000	60,000	-
County roads contribution	334,779	334,779	334,779	-
Administration fee	21,250	21,250	224	(21,026)
Total intergovernmental	<u>1,504,525</u>	<u>1,504,525</u>	<u>848,212</u>	<u>(656,313)</u>
<b>Fines and forfeitures:</b>				
Community service fee	-	-	230	230
Municipal court fines	186,645	186,645	99,294	(87,351)
Municipal court fees	7,343	7,343	24,871	17,528
Total fines and forfeitures	<u>193,988</u>	<u>193,988</u>	<u>124,395</u>	<u>(69,593)</u>
<b>Investment earnings:</b>				
Interest earnings	7,000	7,000	6,625	(375)
Total investment earnings	<u>7,000</u>	<u>7,000</u>	<u>6,625</u>	<u>(375)</u>
<b>Other revenues:</b>				
Sales of capital assets	-	-	-	-
Rent	501	501	2,400	1,899
Cemetery plot fees	1,300	1,300	2,600	1,300
Donations	500	500	5,146	4,646
Park facility rental fee	10,000	10,000	14,722	4,722
Interfund revenues	94,766	94,766	93,532	(1,234)
Miscellaneous	52,000	52,000	45,306	(6,694)
Total other revenues	<u>159,067</u>	<u>159,067</u>	<u>163,706</u>	<u>4,639</u>
Total revenues	<u>5,764,197</u>	<u>5,764,197</u>	<u>5,153,840</u>	<u>(610,357)</u>

(continued)

**CITY OF FERNLEY, NEVADA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2014**

<b>EXPENDITURES</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>General government</b>				
Mayor and city council:				
Salaries and wages	\$ 72,281	\$ 72,281	\$ 61,862	\$ 10,419
Employee benefits	12,939	12,939	12,805	134
Services, supplies and other	29,050	29,050	27,641	1,409
	<u>114,270</u>	<u>114,270</u>	<u>102,308</u>	<u>11,962</u>
City management:				
Salaries and wages	286,720	286,720	288,413	(1,693)
Employee benefits	136,808	136,808	130,787	6,021
Services, supplies and other	221,800	221,800	287,904	(66,104)
	<u>645,328</u>	<u>645,328</u>	<u>707,104</u>	<u>(61,776)</u>
City clerk:				
Salaries and wages	103,106	103,106	106,329	(3,223)
Employee benefits	58,446	58,446	53,470	4,976
Services, supplies and other	11,950	11,950	9,882	2,068
	<u>173,502</u>	<u>173,502</u>	<u>169,681</u>	<u>3,821</u>
Finance:				
Salaries and wages	62,364	62,364	65,602	(3,238)
Employee benefits	31,079	31,079	20,794	10,285
Services, supplies and other	177,183	177,183	77,360	99,823
	<u>270,626</u>	<u>270,626</u>	<u>163,756</u>	<u>106,870</u>
City attorney:				
Salaries and wages	158,852	158,852	157,688	1,164
Employee benefits	75,569	75,569	59,127	16,442
Services, supplies and other	103,300	103,300	79,146	24,154
	<u>337,721</u>	<u>337,721</u>	<u>295,961</u>	<u>41,760</u>
Facilities (City Hall) and general:				
Salaries and wages	67,312	67,312	68,676	(1,364)
Employee benefits	43,192	43,192	49,013	(5,821)
Services, supplies and other	224,077	224,077	207,615	16,462
	<u>334,581</u>	<u>334,581</u>	<u>325,304</u>	<u>9,277</u>
Information technology:				
Salaries and wages	50,129	50,129	56,969	(6,840)
Employee benefits	28,714	28,714	23,506	5,208
Services, supplies and other	103,700	103,700	89,067	14,633
	<u>182,543</u>	<u>182,543</u>	<u>169,542</u>	<u>13,001</u>
Total general government	<u>2,058,571</u>	<u>2,058,571</u>	<u>1,933,656</u>	<u>124,915</u>
<b>Public works</b>				
Streets and public works:				
Salaries and wages	260,292	260,292	275,588	(15,296)
Employee benefits	151,380	151,380	126,497	24,883
Services, supplies and other	406,380	406,380	558,931	(152,551)
Capital outlay	660,000	660,000	52,564	607,436
Total public works	<u>1,478,052</u>	<u>1,478,052</u>	<u>1,013,580</u>	<u>464,472</u>

(continued)

**CITY OF FERNLEY, NEVADA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2014**

<b>Expenditures (continued)</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Judicial</b>				
Municipal court:				
Salaries and wages	\$ 119,309	\$ 119,309	\$ 125,000	\$ (5,691)
Employee benefits	76,839	76,839	56,360	20,479
Services, supplies and other	46,000	46,000	34,945	11,055
Total judicial	<u>242,148</u>	<u>242,148</u>	<u>216,305</u>	<u>25,843</u>
<b>Health</b>				
Animal control:				
Salaries and wages	38,110	38,110	23,709	14,401
Employee benefits	24,335	24,335	9,637	14,698
Services, supplies and other	19,900	19,900	11,928	7,972
	<u>82,345</u>	<u>82,345</u>	<u>45,274</u>	<u>37,071</u>
Vector control:				
Salaries and wages	24,097	24,097	31,480	(7,383)
Employee benefits	14,119	14,119	7,906	6,213
Services, supplies and other	69,103	69,103	70,237	(1,134)
	<u>107,319</u>	<u>107,319</u>	<u>109,623</u>	<u>(2,304)</u>
Total health	<u>189,664</u>	<u>189,664</u>	<u>154,897</u>	<u>34,767</u>
<b>Culture and recreation</b>				
Parks:				
Salaries and wages	236,148	236,148	200,589	35,559
Employee benefits	121,857	121,857	63,247	58,610
Services, supplies and other	363,250	363,250	329,306	33,944
	<u>721,255</u>	<u>721,255</u>	<u>593,142</u>	<u>128,113</u>
Cemetery				
Services, supplies and other	5,600	5,600	6,951	(1,351)
	<u>5,600</u>	<u>5,600</u>	<u>6,951</u>	<u>(1,351)</u>
Total culture and recreation	<u>726,855</u>	<u>726,855</u>	<u>600,093</u>	<u>126,762</u>
<b>Community development</b>				
Building:				
Salaries and wages	125,373	125,373	129,643	(4,270)
Employee benefits	71,025	71,025	39,451	31,574
Services, supplies and other	32,700	32,700	23,445	9,255
Capital outlay	7,360	7,360	50	7,310
	<u>236,458</u>	<u>236,458</u>	<u>192,589</u>	<u>43,869</u>
Planning:				
Salaries and wages	136,982	136,982	147,643	(10,661)
Employee benefits	75,228	75,228	55,417	19,811
Services, supplies and other	32,200	32,200	14,073	18,127
Capital outlay	7,360	7,360	4,979	2,381
	<u>251,770</u>	<u>251,770</u>	<u>222,112</u>	<u>29,658</u>
Total community development	<u>488,228</u>	<u>488,228</u>	<u>414,701</u>	<u>73,527</u>

(continued)

**CITY OF FERNLEY, NEVADA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Expenditures (continued)</b>				
<b>Debt Service</b>				
Principal	\$ 86,000	\$ 86,000	\$ 86,000	\$ -
Interest	92,415	92,415	92,415	-
Total debt service	<u>178,415</u>	<u>178,415</u>	<u>178,415</u>	<u>-</u>
Total expenditures	<u>5,361,933</u>	<u>5,361,933</u>	<u>4,511,647</u>	<u>850,286</u>
Excess of revenues over (under) expenditures	<u>402,264</u>	<u>402,264</u>	<u>642,193</u>	<u>239,929</u>
<b>Other financing sources (uses):</b>				
Transfer to other funds	(803)	(803)	-	(803)
Transfer from grants fund	76,408	76,408	105,507	29,099
Total other financing sources (uses)	<u>75,605</u>	<u>75,605</u>	<u>105,507</u>	<u>29,902</u>
Net change in fund balance	477,869	477,869	747,700	269,831
Fund balance, beginning of year	<u>2,408,436</u>	<u>2,408,436</u>	<u>2,408,436</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,886,305</u></u>	<u><u>\$ 2,886,305</u></u>	<u><u>\$ 3,156,136</u></u>	<u><u>\$ 269,831</u></u>

**CITY OF FERNLEY, NEVADA**  
**Grants Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Intergovernmental revenue:				
Grant revenue	\$ 2,610,704	\$ 2,610,704	\$ 927,154	\$ (1,683,550)
Total revenues	<u>2,610,704</u>	<u>2,610,704</u>	<u>927,154</u>	<u>(1,683,550)</u>
<b>Expenditures</b>				
Current:				
Public works	-	-	142,620	(142,620)
Health	-	-	35,379	(35,379)
Culture and recreation	-	-	137,450	(137,450)
Community development	2,610,704	2,610,704	620,863	1,989,841
Total expenditures	<u>2,610,704</u>	<u>2,610,704</u>	<u>936,312</u>	<u>1,674,392</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(9,158)</u>	<u>(9,158)</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(64,234)</u>	<u>(64,234)</u>	<u>(105,507)</u>	<u>(41,273)</u>
Total other financing sources (uses)	<u>(64,234)</u>	<u>(64,234)</u>	<u>(105,507)</u>	<u>(41,273)</u>
Net change in fund balance	(64,234)	(64,234)	(114,665)	(50,431)
Fund balance, beginning of year	<u>114,665</u>	<u>114,665</u>	<u>114,665</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 50,431</u></u>	<u><u>\$ 50,431</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (50,431)</u></u>

**CITY OF FERNLEY, NEVADA**

**Schedule of Funding Progress - Other Postemployment Benefit Plans**

**For the Year Ended June 30, 2014**

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued 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, 20011, 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**  
**SUPPLEMENTARY INFORMATION**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS**  
**AND**  
**BUDGET AND ACTUAL REPORTS**

**Special revenue funds** are used to account for specific revenues that are restricted or committed to expenditure for particular purposes.

The **Municipal Court Administrative Fees fund** is used to account for the proceeds from Court Administrative Fees set aside per NRS 268.4085 for court administration and graffiti abatement (judicial department expenditures).

The **Municipal Court Facilities Fees fund** is used to account for the proceeds from Court Facilities Fees set aside per NRS 176.0611 for the provision of court facilities.

The **Transient Lodging Tax fund** accounts for Transient Lodging Tax revenues to be used for economic development activities.

**Capital projects funds** are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Capital Projects Fund** is used to account for financial resources used for the acquisition or construction of capital projects for governmental activities. The fund is utilized to set aside funds to provide funding for future projects involving replacement or acquisition of building, improvements and equipment.

The **Capital Improvement Fund** is used to account for road tax revenues used for the acquisition or construction of capital improvements for governmental activities. These funds are also utilized for the repayment of medium-term obligations used for capital improvements.

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**CITY OF FERNLEY, NEVADA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Municipal Court Administration Fees</u>	<u>Municipal Court Facilities Fees</u>	<u>Transient Lodging Tax</u>	<u>Capital Projects</u>	<u>Capital Improvement</u>	
<b>Assets</b>						
Cash and investments	\$ 22,690	\$ 67,366	\$ 666,599	\$ 589,856	\$ 43,178	\$ 1,389,689
Receivables:						
Interest	8	25	258	229	17	537
Other	1,638	2,212	38,552	-	-	42,402
Total assets	<u>\$ 24,336</u>	<u>\$ 69,603</u>	<u>\$ 705,409</u>	<u>\$ 590,085</u>	<u>\$ 43,195</u>	<u>\$ 1,432,628</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 16	\$ 28,334	\$ 64,120	\$ 23,704	\$ -	\$ 116,174
Total liabilities	<u>16</u>	<u>28,334</u>	<u>64,120</u>	<u>23,704</u>	<u>-</u>	<u>116,174</u>
<b>Fund Balances:</b>						
<b>Restricted for:</b>						
Judicial	24,320	41,269	-	-	-	65,589
Capital projects	-	-	-	-	43,195	43,195
<b>Committed:</b>						
Capital projects	-	-	-	566,381	-	566,381
Convention Center	-	-	507,599	-	-	507,599
Assigned	-	-	133,690	-	-	133,690
Total fund balances	<u>24,320</u>	<u>41,269</u>	<u>641,289</u>	<u>566,381</u>	<u>43,195</u>	<u>1,316,454</u>
Total liabilities and fund balances	<u>\$ 24,336</u>	<u>\$ 69,603</u>	<u>\$ 705,409</u>	<u>\$ 590,085</u>	<u>\$ 43,195</u>	<u>\$ 1,432,628</u>

**CITY OF FERNLEY, NEVADA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Municipal Court Administration Fees</u>	<u>Municipal Court Facilities Fees</u>	<u>Transient Lodging Tax</u>	<u>Capital Projects</u>	<u>Capital Improvement</u>	
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 267,845	\$ -	\$ -	\$ 267,845
Intergovernmental revenue	-	-	-	-	1,374	1,374
Fines and forfeitures	12,925	18,525	-	-	-	31,450
Investment earnings	60	169	1,403	1,677	98	3,407
Total revenues	<u>12,985</u>	<u>18,694</u>	<u>269,248</u>	<u>1,677</u>	<u>1,472</u>	<u>304,076</u>
<b>Expenditures</b>						
Current:						
Judicial	13,445	6,140	-	-	-	19,585
Culture and recreation	-	-	171,750	-	-	171,750
Capital outlay	-	49,817	-	266,274	-	316,091
Total expenditures	<u>13,445</u>	<u>55,957</u>	<u>171,750</u>	<u>266,274</u>	<u>-</u>	<u>507,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(460)</u>	<u>(37,263)</u>	<u>97,498</u>	<u>(264,597)</u>	<u>1,472</u>	<u>(203,350)</u>
Fund balances, beginning of year	<u>24,780</u>	<u>78,532</u>	<u>543,791</u>	<u>830,978</u>	<u>41,723</u>	<u>1,519,804</u>
Fund balances, end of year	<u>\$ 24,320</u>	<u>\$ 41,269</u>	<u>\$ 641,289</u>	<u>\$ 566,381</u>	<u>\$ 43,195</u>	<u>\$ 1,316,454</u>

**CITY OF FERNLEY, NEVADA**  
**Municipal Court Administration Fees Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Fines and forfeitures:			
Municipal administrative fees	\$ 10,105	\$ 12,925	\$ 2,820
Investment earnings	300	60	(240)
Total revenues	<u>10,405</u>	<u>12,985</u>	<u>2,580</u>
<b>Expenditures</b>			
Judicial:			
Service, supplies and other	<u>20,000</u>	<u>13,445</u>	<u>6,555</u>
Total expenditures	<u>20,000</u>	<u>13,445</u>	<u>6,555</u>
Excess (deficiency) of revenues over (under) expenditures	(9,595)	(460)	9,135
Fund balance, beginning of year	<u>24,780</u>	<u>24,780</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 15,185</u></u>	<u><u>\$ 24,320</u></u>	<u><u>\$ 9,135</u></u>

**CITY OF FERNLEY, NEVADA**  
**Municipal Court Facilities Fees Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Fines and forfeitures:			
Municipal facilities fees	\$ 14,915	\$ 18,525	\$ 3,610
Interest earnings	300	169	(131)
	<u>15,215</u>	<u>18,694</u>	<u>3,479</u>
Total revenues			
<b>Expenditures</b>			
Judicial:			
Service, supplies and other	-	6,140	(6,140)
Capital outlay	75,000	49,817	25,183
	<u>75,000</u>	<u>55,957</u>	<u>19,043</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(59,785)</u>	<u>(37,263)</u>	<u>22,522</u>
<b>Other Financing Sources (Uses)</b>			
Transfers to other funds	<u>(11,371)</u>	<u>-</u>	<u>11,371</u>
Total other financing sources (uses)	<u>(11,371)</u>	<u>-</u>	<u>11,371</u>
Net change in fund balance	(71,156)	(37,263)	33,893
Fund balance, beginning of year	<u>78,532</u>	<u>78,532</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 7,376</u></u>	<u><u>\$ 41,269</u></u>	<u><u>\$ 33,893</u></u>

**CITY OF FERNLEY, NEVADA**  
**Transient Lodging Tax Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Taxes:			
Transient lodging tax	\$ 232,500	\$ 267,845	\$ 35,345
Interest earnings	232	1,403	1,171
Total revenues	<u>232,732</u>	<u>269,248</u>	<u>36,516</u>
<b>Expenditures</b>			
Culture and recreation:			
Services, supplies and other	<u>196,250</u>	<u>171,750</u>	<u>24,500</u>
Total expenditures	<u>196,250</u>	<u>171,750</u>	<u>24,500</u>
Excess of revenues over (under) expenditures	36,482	97,498	61,016
Fund balance, beginning of year	<u>543,791</u>	<u>543,791</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 580,273</u></u>	<u><u>\$ 641,289</u></u>	<u><u>\$ 61,016</u></u>

**CITY OF FERNLEY, NEVADA**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

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	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Interest earnings	\$ 1,200	\$ 1,677	\$ 477
Total revenues	<u>1,200</u>	<u>1,677</u>	<u>477</u>
<b>Expenditures</b>			
Capital outlay	<u>374,900</u>	<u>266,274</u>	<u>108,626</u>
Total expenditures	<u>374,900</u>	<u>266,274</u>	<u>108,626</u>
Excess (deficiency) of revenues over (under) expenditures	(373,700)	(264,597)	109,103
Fund balance, beginning of year	<u>830,978</u>	<u>830,978</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 457,278</u></u>	<u><u>\$ 566,381</u></u>	<u><u>\$ 109,103</u></u>

**CITY OF FERNLEY, NEVADA**  
**Capital Improvements Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>			
Intergovernmental revenue	\$ 2,000	\$ 1,374	\$ (626)
Interest earnings	<u>40</u>	<u>98</u>	<u>58</u>
Total revenues	<u>2,040</u>	<u>1,472</u>	<u>(568)</u>
<b>Expenditures</b>			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	2,040	1,472	(568)
Fund balance, beginning of year	<u>41,723</u>	<u>41,723</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 43,763</u></u>	<u><u>\$ 43,195</u></u>	<u><u>\$ (568)</u></u>

**CITY OF FERNLEY, NEVADA**  
**SUPPLEMENTARY INFORMATION**  
**ENTERPRISE FUND**  
**BUDGET AND ACTUAL REPORTS**

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 sewer collection and treatment services for 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.

**CITY OF FERNLEY, NEVADA**  
**Water Fund**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Final Budget	Actual	Variance with Final Budget
<b>Operating revenues</b>			
Service fees	\$ 5,161,661	\$ 4,940,786	\$ (220,875)
Other revenues	17,000	198,689	181,689
Total operating revenues	<u>5,178,661</u>	<u>5,139,475</u>	<u>(39,186)</u>
<b>Operating expenses</b>			
Salaries	867,260	859,999	7,261
Employee benefits	526,745	368,850	157,895
Service, supplies and other	1,996,033	1,763,567	232,466
Depreciation and amortization	<u>3,240,000</u>	<u>3,192,486</u>	<u>47,514</u>
Total operating expenses	<u>6,630,038</u>	<u>6,184,902</u>	<u>445,136</u>
Operating income (loss)	<u>(1,451,377)</u>	<u>(1,045,427)</u>	<u>405,950</u>
<b>Nonoperating revenues (expenses)</b>			
Bond debt fee revenue	3,341,241	3,323,649	(17,592)
Connection fee revenue	-	59,052	59,052
Interest income	1,500	12,631	11,131
Other income	-	35,076	35,076
Gain/(loss) on disposals of capital assets	-	1,764	1,764
Interest expense	<u>(3,145,884)</u>	<u>(3,138,372)</u>	<u>7,512</u>
Total nonoperating revenues (expenses)	<u>196,857</u>	<u>293,800</u>	<u>96,943</u>
Income (loss) before contributions and transfers	(1,254,520)	(751,627)	502,893
Capital contributions	<u>-</u>	<u>363,126</u>	<u>363,126</u>
<b>Change in net position</b>	(1,254,520)	(388,501)	866,019
Net position, beginning of year	70,534,411	70,534,411	-
Restatement adjustment	(147,042)	(147,042)	-
<b>Net position, end of year</b>	<u>\$ 69,132,849</u>	<u>\$ 69,998,868</u>	<u>\$ 866,019</u>

**CITY OF FERNLEY, NEVADA**  
**Sewer Fund**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Final Budget	Actual	Variance with Final Budget
<b>Operating revenues</b>			
Service fees	\$ 1,926,470	\$ 1,981,631	\$ 55,161
Other revenues	8,500	-	(8,500)
Total operating revenues	<u>1,934,970</u>	<u>1,981,631</u>	<u>46,661</u>
<b>Operating expenses</b>			
Salaries	376,472	367,975	8,497
Employee benefits	213,177	161,012	52,165
Service, supplies and other	853,070	635,695	217,375
Depreciation and amortization	1,070,000	995,063	74,937
Total operating expenses	<u>2,512,719</u>	<u>2,159,745</u>	<u>352,974</u>
Operating income (loss)	<u>(577,749)</u>	<u>(178,114)</u>	<u>399,635</u>
<b>Nonoperating revenues (expenses)</b>			
Connection fee revenue	-	79,365	79,365
Interest income	8,500	20,003	11,503
Grant revenue	33,550	-	(33,550)
Gain/(loss) on disposals of capital assets	-	978	978
Interest expense	(334,810)	(333,002)	1,808
Total nonoperating revenues (expenses)	<u>(292,760)</u>	<u>(232,656)</u>	<u>60,104</u>
<b>Change in net position</b>	(870,509)	(410,770)	459,739
Net position, beginning of year	29,013,443	29,013,443	-
Restatement adjustment	(12,215)	(12,215)	-
<b>Net position, end of year</b>	<u>\$ 28,130,719</u>	<u>\$ 28,590,458</u>	<u>\$ 459,739</u>

**CITY OF FERNLEY, NEVADA**

**SUPPLEMENTARY INFORMATION**

**AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

The **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.

**CITY OF FERNLEY, NEVADA**

**Agency Fund – Municipal Trust Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2014**

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	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
<b>Assets</b>				
Current assets:				
Cash and investments	<u>\$ 4,866</u>	<u>\$ 14,542</u>	<u>\$ (12,843)</u>	<u>\$ 6,565</u>
Total assets	<u><u>\$ 4,866</u></u>	<u><u>\$ 14,542</u></u>	<u><u>\$ (12,843)</u></u>	<u><u>\$ 6,565</u></u>
<b>Liabilities</b>				
Current liabilities:				
Bail bond deposits held for others	<u>\$ 4,866</u>	<u>\$ 14,542</u>	<u>\$ (12,843)</u>	<u>\$ 6,565</u>
Total liabilities	<u><u>\$ 4,866</u></u>	<u><u>\$ 14,542</u></u>	<u><u>\$ (12,843)</u></u>	<u><u>\$ 6,565</u></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, notes disclosures, and required supplementary information says about the government’s overall financial health.

<b>Contents</b>	<b>Schedule #</b>
Financial Trends .....	1 - 4
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i>	
Revenue Capacity .....	5 - 9
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the property tax.</i>	
Debt Capacity .....	10 - 14
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	15 - 16
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information .....	17 - 19
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

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

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

	<b>FISCAL YEAR ENDED JUNE 30,</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets*	\$ 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	\$ 38,673,348
Restricted	-	-	-	362,289	391,600	363,602	1,886,533	568,412	579,648	451,356
Unrestricted	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	3,630,111
Total Governmental Activities Net Position	<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>	<u>\$ 42,754,815</u>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets*	\$ 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	\$ 85,184,784
Restricted	535,237	579,560	-	-	-	-	-	-	-	588,478
Unrestricted	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	12,816,064
Total Business-type Activities Net Position	<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>	<u>\$ 98,589,326</u>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets*	\$ 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	\$ 123,858,132
Restricted	535,237	579,560	-	362,289	391,600	363,602	1,886,533	568,412	579,648	1,039,834
Unrestricted	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	16,446,175
Total Primary Government Net Position	<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>	<u>\$ 141,344,141</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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>EXPENSES</b>										
<b>Governmental Activities:</b>										
General government	\$ 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	\$ 1,991,411
Judicial	173,804	170,479	194,353	252,189	243,889	265,515	204,071	213,314	215,504	238,892
Culture and recreation	458,828	646,259	838,674	689,281	685,706	622,998	734,553	743,911	1,126,357	1,384,571
Community development	861,555	875,056	848,010	1,977,586	811,701	1,247,018	2,817,551	2,673,503	1,591,456	849,079
Public works	642,480	729,919	1,326,718	783,565	1,778,649	1,824,412	1,871,798	1,185,973	1,100,290	2,202,499
Health	102,768	263,919	295,413	280,743	252,320	262,865	193,303	207,672	177,080	192,690
Debt Service:										
Interest and fiscal charges	-	224,500	221,032	214,326	206,092	198,144	189,836	194,402	87,015	92,415
Total Governmental Activities Expenses	<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>	<u>6,951,557</u>
<b>Business-type Activities:</b>										
Water	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	9,323,274
Sewer	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	2,492,747
Other	-	700	9,340	212,652	-	-	-	-	-	-
Total Business-type Activities Expenses	<u>3,643,862</u>	<u>3,954,181</u>	<u>4,880,476</u>	<u>5,378,359</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>	<u>11,816,021</u>
Total Primary Government Expenses	<u>\$ 6,479,209</u>	<u>\$ 7,660,716</u>	<u>\$ 9,778,036</u>	<u>\$ 11,148,164</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>	<u>\$ 18,767,578</u>

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

	<b>FISCAL YEAR ENDED JUNE 30,</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>PROGRAM REVENUES</b>										
<b>Governmental Activities:</b>										
Charges for Services:										
General government	\$ 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	\$ 1,870,597
Judicial	423,178	196,249	89,248	162,416	161,819	196,886	197,395	169,630	95,834	155,846
Culture and recreation	13,400	8,150	48,355	1,600	200	25	525	105,925	950	14,722
Community development	1,804,978	1,123,508	679,608	509,440	258,801	232,719	149,647	-	115,130	-
Public works	31,278	40,071	29,754	23,021	65,129	116,619	-	2,968	-	17,019
Health	1,611	2,341	4,318	4,650	3,819	3,296	3,578	466,388	4,157	-
Operating Grants and Contributions	268,632	348,627	60,000	60,000	60,383	61,500	133,460	4,925,916	113,124	616,222
Capital Grants and Contributions	4,232,398	7,531,080	6,052,749	4,869,410	5,613,270	1,538,400	3,933,102	-	1,385,242	1,008,428
Total Governmental Activities Program Revenues	<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>6,945,816</u>	<u>3,069,468</u>	<u>3,682,834</u>
<b>Business-type Activities:</b>										
Charges for Services										
Water	1,975,451	2,201,916	2,306,193	3,273,625	3,833,095	4,774,366	4,580,081	4,876,397	4,931,282	5,174,551
Sewer	1,441,455	1,686,101	1,754,820	1,829,736	1,830,814	1,883,702	1,865,202	1,904,071	1,929,793	1,981,631
Other	131,300	-	-	1,055	-	-	-	-	-	-
Operating Grants and Contributions	-	-	-	424,671	562,372	441,742	4,893	97,966	-	-
Capital Grants and Contributions	11,157,733	18,729,430	19,015,856	4,579,348	7,146,143	908,392	1,897,368	8,134	33,044	501,543
Total Business-type Activities Revenues	<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>8,347,544</u>	<u>6,886,568</u>	<u>6,894,119</u>	<u>7,657,725</u>
Total Primary Government Revenues	<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>\$ 13,974,773</u>	<u>\$ 13,832,384</u>	<u>\$ 9,963,587</u>	<u>\$ 11,340,559</u>
<b>NET (EXPENSE)/REVENUE</b>										
Governmental Activities	\$ 4,827,955	\$ 6,552,153	\$ 3,203,982	\$ 891,345	\$ 1,802,179	\$ (2,766,286)	\$ (1,883,850)	\$ (353,179)	\$ (3,651,120)	\$ (3,268,723)
Business-type Activities	11,062,077	18,663,266	18,196,393	4,730,076	6,662,977	(4,054,017)	(3,448,765)	(4,837,134)	(4,787,676)	(4,158,296)
Total Primary Government Net (Expense)/Revenue	<u>\$ 15,890,032</u>	<u>\$ 25,215,419</u>	<u>\$ 21,400,375</u>	<u>\$ 5,621,421</u>	<u>\$ 8,465,156</u>	<u>\$ (6,820,303)</u>	<u>\$ (5,332,615)</u>	<u>\$ (5,190,313)</u>	<u>\$ (8,438,796)</u>	<u>\$ (7,427,019)</u>

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

	FISCAL YEAR ENDED JUNE 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION</b>										
<b>Governmental Activities:</b>										
Taxes:										
Property	\$ 496,207	\$ 591,082	\$ 925,297	\$ 1,074,726	\$ 1,381,621	\$ 1,410,347	\$ 1,473,876	\$ 1,850,971	\$ 1,924,602	\$ 2,145,992
Consolidated	163,429	189,158	188,128	197,040	202,188	170,186	130,215	131,372	132,962	136,402
Fuel	233,448	227,691	259,603	304,718	309,896	294,645	282,617	271,449	292,483	306,330
Unrestricted gaming licenses	71,271	97,121	98,753	96,021	92,211	96,598	99,439	99,607	104,761	106,132
Unrestricted interest income	97,729	329,341	361,301	175,866	41,085	26,847	13,921	5,066	12,334	10,032
Miscellaneous revenue	36,640	389,619	89,378	424,649	56,179	46,238	74,225	108,617	211,636	14,000
Total Governmental Activities	<u>1,098,724</u>	<u>1,824,012</u>	<u>1,922,460</u>	<u>2,273,020</u>	<u>2,083,180</u>	<u>2,044,861</u>	<u>2,074,293</u>	<u>2,467,082</u>	<u>2,678,778</u>	<u>2,718,888</u>
<b>Business-type Activities:</b>										
Unrestricted interest income	295,730	702,781	1,511,286	1,126,258	477,258	261,988	68,217	19,326	39,272	32,634
Miscellaneous revenue	65,237	59,441	46,287	384,555	569,452	244,232	154,734	1,699,376	3,686,674	3,326,391
Total Business-type Activities Revenues	<u>360,967</u>	<u>762,222</u>	<u>1,557,573</u>	<u>1,510,813</u>	<u>1,046,710</u>	<u>506,220</u>	<u>222,951</u>	<u>1,718,702</u>	<u>3,725,946</u>	<u>3,359,025</u>
Total Primary Government Revenues	<u>\$ 1,459,691</u>	<u>\$ 2,586,234</u>	<u>\$ 3,480,033</u>	<u>\$ 3,783,833</u>	<u>\$ 3,129,890</u>	<u>\$ 2,551,081</u>	<u>\$ 2,297,244</u>	<u>\$ 4,185,784</u>	<u>\$ 6,404,724</u>	<u>\$ 6,077,913</u>
<b>CHANGE IN NET POSITION</b>										
Governmental Activities	\$ 5,926,679	\$ 8,376,165	\$ 5,126,442	\$ 3,164,365	\$ 3,885,359	\$ (721,425)	\$ 190,443	\$ 2,113,903	\$ (972,342)	\$ (549,835)
Business-type Activities	11,423,044	19,425,488	19,753,966	6,240,889	7,709,687	(3,547,797)	(3,225,814)	(3,118,432)	(1,061,730)	(799,271)
Total Primary Government Change in Net Position	<u>\$ 17,349,723</u>	<u>\$ 27,801,653</u>	<u>\$ 24,880,408</u>	<u>\$ 9,405,254</u>	<u>\$ 11,595,046</u>	<u>\$ (4,269,222)</u>	<u>\$ (3,035,371)</u>	<u>\$ (1,004,529)</u>	<u>\$ (2,034,072)</u>	<u>\$ (1,349,106)</u>

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

	FISCAL YEAR ENDED JUNE 30,									
	2005	2006	2007	2008	2009	2010	2011*	2012	2013	2014
General fund:										
Reserved	\$ 5,205	\$ 6,239	\$ 6,709	\$ 366,424	\$ 394,251	\$ 332,238	\$ -	\$ -	\$ -	\$ -
Unreserved	869,817	938,757	582,237	279,443	294,617	482,078	-	-	-	-
Nonspendable	-	-	-	-	-	-	22,375	-	-	25,250
Restricted	-	-	-	-	-	-	342,400	342,123	342,123	342,572
Committed	-	-	-	-	-	-	-	-	-	1,541,178
Assigned	-	-	-	-	-	-	5,582	1,449,207	1,449,207	405,310
Unassigned	-	-	-	-	-	-	1,223,672	-	617,104	841,826
Total general fund	<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>\$ 2,408,434</u>	<u>\$ 3,156,136</u>
All other governmental funds										
Reserved - Transient Lodging Tax Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,364	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special revenue fund	2,302,972	1,398,315	1,568,588	971,544	787,928	1,118,925	-	-	-	-
Capital projects fund	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	108,784
Committed	-	-	-	-	-	-	-	1,200,065	1,210,436	1,073,980
Assigned	-	-	-	-	-	-	104,988	148,181	164,333	133,690
Total all other governmental funds	<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>	<u>\$ 1,316,454</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**

	<b>FISCAL YEAR ENDED JUNE 30,</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>REVENUES</b>										
Taxes	\$ 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	\$ 2,411,183
Licenses and permits	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	1,867,564
Intergovernmental	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	1,776,740
Fines and forfeits	175,167	228,424	234,353	207,465	161,820	222,566	197,397	169,630	95,834	155,845
Miscellaneous	192,613	794,352	581,833	610,883	138,018	88,765	95,752	112,246	127,651	173,738
Developer fees	-	-	-	-	-	-	111,000	-	-	-
Total revenues	<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>	<u>6,385,070</u>
<b>EXPENDITURES</b>										
General government	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	1,933,656
Judicial	171,868	169,163	194,518	251,829	244,714	257,983	201,062	213,214	215,296	235,890
Culture and recreation	381,962	508,797	647,542	522,392	546,492	482,871	612,723	617,960	745,405	909,293
Community development	669,105	810,965	834,503	1,226,149	787,056	1,332,123	2,796,292	5,309,789	1,482,004	1,035,564
Public works	420,500	376,571	515,394	428,988	457,243	448,224	-	-	1,826	1,156,200
Health	96,876	256,738	275,905	262,526	232,843	242,279	176,488	200,427	176,523	190,276
Debt service:										
Principal	-	-	158,000	165,000	173,000	181,000	189,000	4,134,000	84,000	86,000
Interest	-	94,789	221,032	214,326	206,092	198,144	189,836	194,402	87,015	92,415
Bond issuance cost	-	-	-	-	-	-	-	61,727	-	-
Capital outlay	1,799,989	3,684,115	8,097,529	3,143,509	1,129,385	457,600	122,960	956,329	304,055	316,091
Total expenditures	<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>	<u>5,955,385</u>
Excess (deficiency) of revenues over expenditures	1,700,495	(304,333)	(5,882,196)	(1,776,754)	(156,136)	419,870	193,128	(3,887,285)	262,592	429,685
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer out	(1,690,000)	(1,050,000)	(711,712)	(20,000)	(26,000)	-	60,000	(205)	-	105,507
Transfer in	1,690,000	1,050,000	711,712	20,000	26,000	-	(60,000)	205	-	(105,507)
General obligation bonds issued	-	5,000,000	-	-	-	-	-	4,010,000	-	-
Proceeds from insurance	-	-	-	-	-	-	-	-	40,625	-
Proceeds from disposal of capital assets	-	-	61,450	-	-	7,984	-	-	-	-
Total other financing sources (uses)	<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>	<u>-</u>
Net change in fund balance	<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>	<u>\$ 429,685</u>
Debt service as a percentage of noncapital expenditures	0.0%	3.3%	10.9%	9.6%	10.7%	9.1%	7.0%	55.1%	3.5%	3.3%

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

<b>Fiscal Year</b>	<b>Assessed Value</b>			<b>Estimated Actual Value</b>	<b>Ratio of Total Assessed to Total Estimated Actual Value</b>
	<b>Real Property</b>	<b>Personal Property</b>	<b>Total</b>		
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
2014	543,179,007	35,480,263	578,659,270	1,653,312,200	35.0

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

\* First year breakdown of assessed 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**

<b>Fiscal Year</b>	<b>City of Fernley</b>	<b>State of Nevada</b>	<b>School District</b>	<b>Lyon County</b>	<b>Special Districts</b>	<b>Total</b>
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	0.3772	3.0964
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
2014	0.6169	0.1700	1.3367	0.9287	0.4994	3.5517

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

**CITY OF FERNLEY, NEVADA  
PRINCIPAL PROPERTY OWNERS  
JUNE 30, 2014**

Taxpayer	Product/Service	Taxable		Approximate Percentage of Taxable Assessed Valuation
		Estimated Appraised Value (1)	Taxable Assessed Value	
NV Energy	Utility	\$ 161,904,911	\$ 56,666,719	4.64%
Quebecor World Nevada	Manufacturer	34,495,500	12,073,425.0	0.99%
Trex Company Inc.	Manufacturer	29,548,143	10341850	0.85%
1600 East Newlands Dr., LLC	Developer	23,266,760	8,143,366	0.67%
Sherwin-Williams Acceptance Corp	Manufacturer	22,661,434	7,931,502	0.65%
Peri & Peri/Desert Pearl Farms	Agriculture	19,804,863	6,931,702	0.57%
Southwest Gas Corp	Utility	19,723,043	6,903,065	0.57%
Union Pacific Railroad	Railroad	19,190,814	6,716,785	0.55%
Sonterra Development Co. Inc.	Developer	19,133,257	6,696,640	0.55%
AT&T Nevada	Communications	16,794,211	5,877,974	0.48%
	Totals	<u>\$ 366,522,937</u>	<u>\$ 128,283,028</u>	<u>10.520%</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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>WATER UTILITY</b>										
Number of Customers	6,083	6,634	6,816	7,170	7,371	7,061	7,103	7,925	7,782	7,660
Annual Average Day Demand per customer	750	750	750	747	553	511	456	413	423	456
Gallons of water used (in thousands)	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	1,275,822
Direct rate per 1,000 gallons	\$ 0.95	\$ 0.95	\$ 0.95	\$ 1.11	\$ 1.50	\$ 2.02	\$ 2.02	\$ 2.08	\$ 2.08	\$ 2.15

Source: City of Fernley

CITY OF FERNLEY, NEVADA  
PRINCIPLE WATER USERS

Employer	June 30,			
	2014		2004	
	User Fees	Rank	User Fees	Rank
City of Fernley	\$ 180,158	1	\$ -	-
Lyon County School District	170,708	2	-	-
Trex Manufacturing Company	108,568	3	42,141	1
World Color Fernley	76,057	4	-	-
Veteran's Cemetery	56,761	5	15,059	4
Hollywood Investments	52,105	6	18,076	3
Siri Hospitality	39,770	7	-	-
Sherwin Williams	33,372	8	-	-
Amazon.com	38,645	9	-	-
Blue Beacon	31,948	10	7,413	8

Source: City of Fernley

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

Fiscal Year	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Water Bonds	Sewer Bonds			
2005	-	-	-	-	-	-
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
2014	3,840,000	66,557,336	7,132,664	77,530,000	13.45%	4,083

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 91 for personal income and population data.

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Percentage of Actual Property Value (1)</b>	<b>Per Capita (2)</b>
2005	-	1,008,027	1,008,027	0.12%	73
2006	5,000,000	1,560,282	6,560,282	0.61%	401
2007	4,842,000	51,282,780	56,124,780	3.84%	2,977
2008	4,677,000	83,595,329	88,272,329	4.54%	4,507
2009	4,504,000	82,472,729	86,976,729	4.03%	4,436
2010	4,323,000	80,688,767	85,011,767	4.70%	4,491
2011	4,134,000	78,951,240	83,085,240	6.49%	4,290
2012	4,010,000	77,110,000	81,120,000	6.45%	4,293
2013	3,926,000	75,435,000	79,361,000	6.25%	4,214
2014	3,840,000	73,690,000	77,530,000	4.69%	4,083

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.

**CITY OF FERNLEY, NEVADA**  
**COMPUTATION OF GENERAL OBLIGATION DIRECT AND OVERLAPPING DEBT**  
**JUNE 30, 2014**

	<b>Total General Obligation Debt</b>	<b>Presently Self- Supporting General Obligation Debt</b>	<b>Net Debt Outstanding</b>	<b>% Applicable</b>	<b>Applicable Net Debt</b>
<b>Direct:</b>					
City of Fernley	\$ 81,120,000	\$ 77,110,000	\$ 4,010,000	100.00%	<u>\$ 4,010,000</u>
<b>Overlapping:</b>					
State of Nevada (1)	124,342,000	-	1,243,420,000	0.44%	5,471,048
Lyon County (2)	12,732,955	12,732,955	-	36%	-
Lyon County School District (3)	70,170,000	-	70,170,000	36%	<u>\$ 25,261,200</u>
			Total Overlapping Debt		<u>30,732,248</u>
			Total Direct and Overlapping Debt		<u><u>\$ 34,742,248</u></u>

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.

**CITY OF FERNLEY, NEVADA  
COMPUTATION OF GENERAL OBLIGATION DIRECT AND OVERLAPPING DEBT  
JUNE 30, 2014**

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>77,530,000</u>
Legal Debt Margin	\$	<u><u>55,745,589</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	
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	6,878,442	3,801,460	3,076,982	1,764,329	3,611,327	5,375,656	57%
2013	6,855,545	3,841,334	3,014,211	1,751,912	3,545,754	5,297,666	57%
2014	7,121,106	4,157,098	2,964,008	1,745,000	3,480,694	5,225,694	57%

Note: (1) Total operating expenses exclusive of depreciation

**CITY OF FERNLEY, NEVADA  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Total Personal Income (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>Unemployment Rate (4)</b>
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%
2014	18,987	576,597,216	30,368	11.30%

**Sources:**

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

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

<b>Employer</b>	<b>2014</b>			<b>2004</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment (1)</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total County Employment (1)</b>
Lyon County School District	1000-1499	1	8.95%	900-999	1	8.62%
Amazon.com	900-999	2	8.05%	600-699	2	5.53%
Lyon County	300-399	3	2.68%	400-499	3	4.00%
MSC Industrial	200-299	4	1.79%	100-199	5	1.66%
Wal-Mart	200-299	5	1.79%	-	-	-
South Lyon Medical Center	100-199	6	0.89%	100-199	6	1.62%
Production Pattern & Foundry	100-199	7	0.89%	-	-	-
Metallic Art Company	100-199	8	0.89%	-	-	-
Lowes HIW INC	100-199	9	0.89%	-	-	-
Nevada Automotive Testing Center	100-199	10	0.89%	-	-	-

Source: Lyon County

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
FUNCTION/PROGRAM										
General government	15.5	12.1	18.6	22.3	9.3	13.0	16.0	14.7	13.8	13.1
Judicial	1.9	2.0	1.9	1.9	3.0	2.4	2.4	2.4	3.0	3.0
Public works	1.3	2.0	1.5	1.8	2.5	5.5	10.0	4.3	4.8	4.8
Culture and recreation	7.5	7.5	10.9	11.5	4.8	6.0	4.0	5.3	5.6	4.6
Community development	12.0	15.5	16.0	14.0	8.1	8.0	6.0	5.0	4.9	5.0
Health	2.0	3.9	2.9	2.5	3.0	2.0	2.0	2.0	2.0	1.5
Water	5.9	8.6	6.8	8.1	15.3	16.5	13.0	17.0	16.1	16.4
Sewer	5.9	9.1	6.8	8.1	9.2	4.5	4.0	6.7	6.6	6.6
Total	<u>52.0</u>	<u>60.7</u>	<u>65.4</u>	<u>70.2</u>	<u>55.2</u>	<u>57.9</u>	<u>57.4</u>	<u>57.4</u>	<u>56.8</u>	<u>55.0</u>

Source: City of Fernley

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

FUNCTION/PROGRAM	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Judicial:										
Municipal Court Cases Filed:										
Drug	34	68	35	28	25	39	20	12	5	9
Driving under influence	75	91	81	83	68	79	59	16	12	22
Domestic violence	65	45	5	3	1	3	0	0	0	9
Traffic	2410	2530	1829	1668	1260	2206	2002	990	524	2129
Other	1	0	0	3	3	3	0	16	14	262
Public Safety:										
Calls for Service:										
Criminal	3,072	3,382	3,866	3,633	2,791	2,679	2,407	3,766	3,891	4,415
Non-criminal	924	1,028	1,180	1,129	1,889	2,144	2,523	3,332	3,184	3,745
Domestic violence	684	678	866	889	463	414	352	709	784	776
Follow-up	1,404	1,630	1,439	1,624	1,599	1,920	2,497	2,176	2,107	3,384
Traffic-stops	876	1,026	1,450	1,639	2,067	1,999	1,626	1,564	1,224	1,490
Civil papers	2,028	2,232	2,136	2,601	2,359	2,568	2,418	1,895	1,701	1,323
Animal	168	102	156	204	337	377	252	318	392	451
Death/Coroner	36	42	33	45	42	29	41	72	102	88
Public service	1,044	1,250	927	1,191	1,111	1,195	1,337	1,469	2,014	2,807
Assist other agencies	684	732	625	1,112	1,024	851	791	1,062	932	938
Alarms	276	346	383	377	517	494	492	729	802	934
Property damage accident	132	92	120	98	115	108	87	120	128	130
Injury accident	24	24	20	5	15	9	17	27	39	46
Private property accident	48	48	73	81	65	52	57	71	123	141
Administrative	2,196	2,304	2,761	3,113	3,204	4,715	7,911	6,888	9,924	23,029
Total Calls for Service	13,596	14,916	16,035	17,741	17,598	19,554	22,808	24,198	27,347	43,697
Total Reports Written	1,704	1,756	2,298	2,130	1,947	2,326	2,023	2,594	2,490	2,436
Arrests:										
Felon	60	90	123	76	95	122	133	112	114	109
Gross misdemeanor	24	16	17	27	44	34	27	40	14	16
Misdemeanor	120	112	143	146	121	160	135	113	142	152
Driving under influence	36	48	84	90	76	111	57	34	27	30
Domestic violence	72	52	71	53	73	61	67	45	45	38
Mental health	12	8	12	11	4	5	4	1	2	7
Total Arrests	324	326	450	403	413	493	423	345	344	352
Citations:										
Traffic	228	274	593	464	557	535	409	274	210	314
Non-traffic	168	162	209	234	328	339	287	239	280	244
Total Citations	396	436	802	698	885	874	696	513	490	558
Water Utility:										
Customer count	6,083	6,634	6,816	6,896	6,876	6,693	6,736	7,925	7,782	7,660
New connections	1,103	551	182	80	15	12	12	5	2	12
Sewer Utility:										
Customer count	6,049	6,600	6,782	6,862	6,312	6,140	6,174	8,188	6,263	6,330
New connections	1,092	551	182	80	14	12	7	2	1	10
Building:										
Number of permits issued	1,445	897	500	352	221	217	228	201	230	237
Number of inspection	19,108	13,302	5,838	3,107	1,894	929	803	863	494	873
Planning:										
Number of applications processed	211	238	223	150	93	52	32	32	30	23

Source: City of Fernley

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

FUNCTION/PROGRAM	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Streets:										
Public Road Mileage	104.12	106.64	116.96	125.36	126.79	126.79	126.79	126.79	126.79	126.79
Parks and Recreation:										
Parks and Open Space Acreage	85	150	155	155	155	155	155	155	155	155
Developed Parks	8	11	11	11	11	11	11	11	11	12
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Rodeo Arena	1	2	2	2	2	2	2	2	2	2
Playing Fields	8	10	19	19	19	19	19	19	19	19
Pavilions	2	2	2	3	3	7	7	7	7	7
Skate Park	1	1	1	1	1	1	1	1	1	1
Water Utility:										
Water lines (miles)	92.7	105.0	115.2	124.7	148.9	152.1	152.1	152.1	152.1	152.1
Fire Hydrants	925	1,000	1,033	1,083	1,102	1,102	1,102	1,102	1,127	1,127
Sewer Utility:										
Sanitary Sewer Lines (miles)	79.3	90.0	93.6	101.3	124.2	124.2	124.2	124.2	124.9	124.2
Sanitary Sewer Manhole Count	1,362	1,510	1,600	2,126	2,227	2,227	2,227	2,227	2,249	2,227

Source: City of Fernley

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**COMPLIANCE SECTION**

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MEMBERS:

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KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
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MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

---

**Independent Auditors' 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***

The Honorable Mayor and 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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 25, 2014.

**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.

## **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.



HintonBurdick, PLLC

St. George, Utah

October 25, 2014

MEMBERS:

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MARK E. TICHENOR, CPA

**Independent Auditor's Report on Compliance  
for Each Major Program and on Internal Control  
over Compliance Required by OMB Circular A-133**

The Honorable Mayor and 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, 2014. 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, 2014.

**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, material weaknesses may exist that have not been identified.

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.



HintonBurdick, PLLC  
St. George, Utah  
October 25, 2014

**CITY OF FERNLEY, NEVADA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:

- Material weaknesses identified?      \_\_\_ yes     X  no
- Significant deficiencies identified?    \_\_\_ yes     X  no

Noncompliance material to financial statements noted?      \_\_\_ yes     X  no

Federal Awards

Internal Control over major programs:

- Material weaknesses identified?      \_\_\_ yes     X  no
- Significant deficiencies identified?    \_\_\_ yes     X  no

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 Circular A-133?      \_\_\_ yes     X  no

Identification of major programs.

CFDA Number(s)                      Name of Federal Program or Cluster

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 low-risk auditee?      \_\_\_ yes     X  no

**CITY OF FERNLEY, NEVADA**  
**Schedule of Findings and Questioned Costs, Continued**  
**For the Year Ended June 30, 2014**

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**Section II - Financial Statement Findings**

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**Material Weaknesses:**

None noted.

**Significant Deficiencies:**

None noted.

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**Section III - Federal Award Findings and Questioned Costs**

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No significant matters were noted.

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**Section IV - Summary Schedule of Prior Audit Findings**

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**Finding 2013-002:**

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.

During testing of internal controls over Davis-Bacon Act for fiscal year 2013, it was identified that the City did not have controls in place to ensure contractors were properly submitting certified payroll reports. There were no questioned costs.

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.

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.

**Status:** Cleared fiscal year 2014.

The City has assigned the responsibility to the Assistant City Manager and has established procedures to monitor or maintain documentation to support compliance with the Davis-Bacon Act.

**CITY OF FERNLEY, NEVADA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

<b>FEDERAL-GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>	<b>Federal CFDA #</b>	<b>PROJECT/PASS- THROUGH NUMBER</b>	<b>Expenditures</b>
<b>Department of the Interior:</b>			
Direct Programs:			
Bureau of Reclamation			
Providing Water to At-Risk Natural desert Terminal Lakes (Joint)	15.508	R09AP20010	\$ 495,154
Providing Water to At-Risk Natural desert Terminal Lakes (Legal)	15.508	R12AP20013	<u>96,375</u>
Total Bureau of Reclamation			591,529
Passed through the State of Nevada:			
Division of State Parks			
Outdoor Recreation Acquisition, Development and Planning (Skate Park)	15.916	32-00323	42,450
Bureau of Reclamation			
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	15.507	R12AP20050	<u>28,526</u>
Total Department of the Interior			<u>662,505</u>
<b>Department of Transportation:</b>			
Passed through the State of Nevada:			
Department of Transportation			
Highway Planning and Construction	20.205	MS-0019(023)	<u>2,339</u>
<b>Department of Housing and Urban Development:</b>			
Direct Programs:			
Economic Development Initiative - Special Project, Neighborhood Initiative	14.251	B-09-SP-NV-0115	95,000
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 (Main Street Corridor)	14.228	13/PCB/05	89,972
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (Rural Continuum of Care)	14.228	13/PCB/20	35,379
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (SBDC Business Counseling)	14.228	13/ED/19	43,209
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (WNDD Revolving Loan)	14.228	13/ED/21	1,650
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (Hardie Lane)	14.228	12/PF/06	<u>24,122</u>
Total Department of Housing and Urban Development			<u>289,332</u>
Total Expenditures of Federal Awards			<u>\$ 954,176</u>

**CITY OF FERNLEY, NEVADA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2014**

---

**Reporting Entity:**

The accompanying schedule of expenditures of federal awards presents the activity or expenditure of all federal awards programs of the City of Fernley, Nevada for the year ended June 30, 2014. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

**Basis of Accounting:**

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Relationship to Basic Financial Statements:**

Expenditures of federal awards have been reported in the Grants fund and other areas as follows:

Grants fund:		
Public works	\$	142,620
Health		35,379
Culture and recreation		137,450
Community development		620,863
Other areas		<u>17,864</u>
	\$	<u><u>954,176</u></u>

**Subrecipients:**

Expenditures related to the following grants from the Department of Housing and Urban Development were passed through to Social Entrepreneurs, Inc., a Nevada non-profit corporation:

- Community Development Block Grant/State's Programs and Non-Entitlement Grants in Hawaii (Rural Continuum of Care)

Expenditures related to the following grants from the Department of Housing and Urban Development were passed through to Western Nevada Development District, a Nevada non-profit corporation:

- Community Development Block Grant/State's Programs and Non-Entitlement Grants in Hawaii (WNDD Revolving Loan)

MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA

KENNETH A. HINTON, CPA  
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PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

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**Independent Auditors' Report on  
State Legal Compliance**

The Honorable Mayor and City Council  
City of Fernley, Nevada

We have audited the financial statements of the City of Fernley, Nevada for the year ended June 30, 2014 and have issued our report thereon dated October 25, 2014. Our audit also included test work on the City's compliance with selected requirements identified in the State of Nevada Revised Statutes (NRS) including, but not limited to, NRS section 354.624 and section 354.6241.

Management of the City is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit and make specific statements regarding funds established and the status of prior year findings and recommendations; accordingly, we make the following statements:

For the year ended June 30, 2014, the City of Fernley has taken steps to act upon recommendations made in prior years.

The City has established a number of funds in accordance with NRS 354.624 as follows:

Enterprise Funds:

Water Utility Fund  
Sewer Utility Fund

Funds whose balance is required to be used only for a specific purpose or carried forward to the succeeding fiscal year in any designated amount:

Special Revenue Funds:

Grants Fund  
Municipal Court Administration Fund  
Municipal Court Facilities Fund  
Transient Lodging Tax Fund

Capital Projects Funds:

Capital Projects Fund  
Capital Improvements Fund

The City appears to be using the above listed funds expressly for the purposes for which they were created and in accordance with NRS 354.624. The funds are being administered in accordance with Generally Accepted Accounting Principles and the reserves, as applicable, appear reasonable and necessary to carry out the purposes of the funds. Sources of revenues available and fund balances and net position are reflected in the individual fund financial statements.

The statutory and regulatory requirements of the funds are as follows:

Water Fund	City Resolution
Sewer Fund	City Resolution
Grants Fund	City Resolution
Municipal Court Administration Fund	NRS 268.4085
Municipal Court Facilities Fund	NRS 176.0611
Transient Lodging Tax Fund	City Ordinance #2009-018
Capital Projects Fund	City Resolution
Capital Improvements Fund	City Resolution

NRS 354.624 requires a schedule of all fees imposed by the City that were subject to the provisions of NRS 354.5989. See the following page for the schedule.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Fernley complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Nevada Revised Statutes (NRS) and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
St. George, Utah  
October 25, 2014

**CITY OF FERNLEY, NEVADA**

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

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Flat fixed fees:		
Business license revenue for the year ended June 30, 2013	\$	213,958
Adjustment to base:		
Base year:		
1. Percentage decrease in population of the local government	0.51%	
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>2.1%</u>	
Adjusted base at June 30, 2014	2.61%	219,542
Actual revenue for the year ended June 30, 2014		<u>180,535</u>
Actual amount over (under) allowable amount		<u><u>\$ (39,007)</u></u>

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