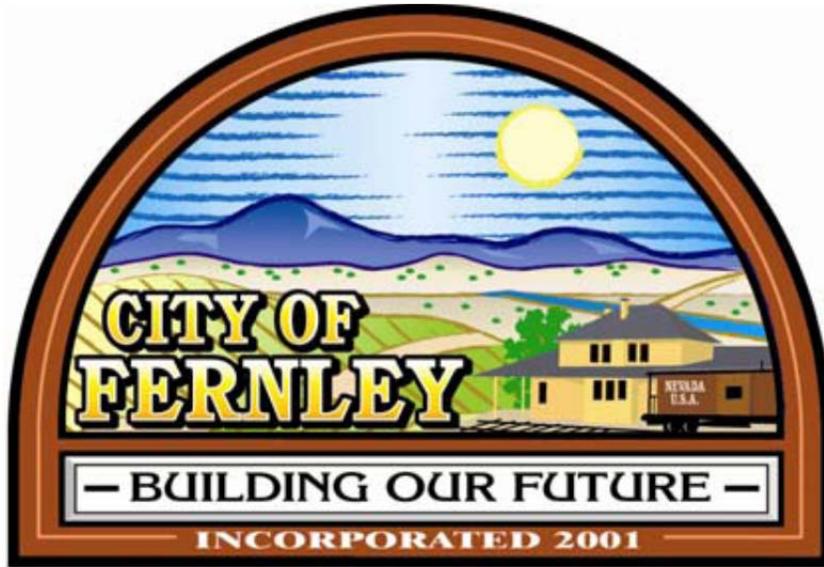


**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**



**FISCAL YEAR ENDED
JUNE 30, 2015**

**City of Fernley
Nevada**

CITY OF FERNLEY, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2015

Prepared by:

City of Fernley Finance Department

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CITY OF FERNLEY, NEVADA

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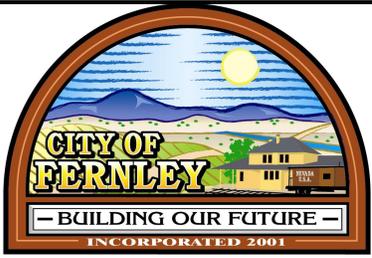
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City of Fernley
Finance
Department

Treasury
Budgeting
Accounting
Payroll
Accounts Payable
Debt Management
Investment Mgmt.

November 24, 2015

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, 2015 is hereby submitted. State law requires that local governments provide for an annual audit by independent certified public accountants of its financial statements in accordance with auditing standards generally accepted in the United States of America.

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

The City of Fernley's financial statements have been audited by Hinton, Burdick CPAs & Advisors, 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, 2015 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, 2015, 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 eighth 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, 2015, 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 "the City" was incorporated in 2001 under the provisions of Nevada Revised Statutes (NRS) Chapter 266. The City 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 is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City 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 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 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 6th largest in the State of Nevada. Fernley is 35% of the current population in Lyon County with a Median Age of 34.8, reflecting a younger work force in comparison with other Nevada cities. Fernley is within a 600-mile, one-day service radius of major western cities such as Los Angeles, San Francisco, Portland and Las Vegas and benefits from a varied manufacturing and industrial base that adds to the relative stability of employment. Major employers within the City's boundaries include 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 and City Council has established key priorities as follows:

- Road improvement and maintenance
- Community development/permitting
- Consolidated tax
- Parks improvement and maintenance
- Storm drains
- Water management/water rights
- Water meters
- Fire hydrants
- Water and sewer infrastructure maintenance
- Water and sewer rate study
- Sewer equipment maintenance
- Sewer preventative maintenance

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 utilized for current operations and payment of bond and other debt is held in the City's operating bank account. Cash temporarily idle during the year is invested in the Local Government Pooled Long-Term Investment Account (NVEST) and the Nevada Local Government Investment Pool (LGIP).

The City follows NRS investment guidelines when it comes to investing public monies. 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 are collateralized. LGIP and NVEST deposits are 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 Anthem Blue

Cross and Blue Shield, a health insurance plan provider. Management believes established coverages are 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 other payment obligations 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
City Manager

Respectfully submitted,



Denise Lewis
City Treasurer
Finance Director

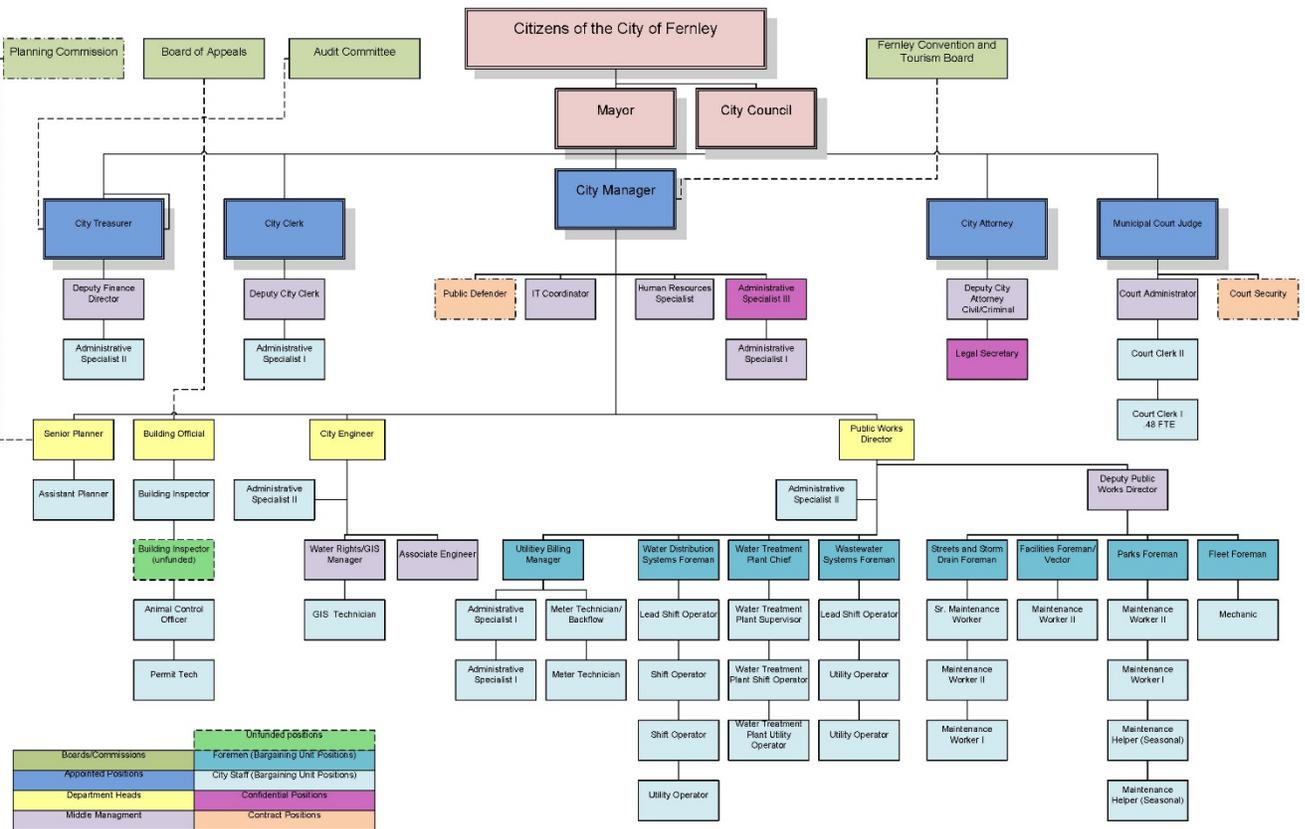
Organizational Chart

The City of Fernley is a hybrid between a Strong Mayor and a City-Manager form of government. The Mayor serves as the Chief Executive Officer of the organization, while the City Manager services as the Chief Administrative Officer overseeing the day-to-day administration of the City staff. The City Council is the legislative body, establishes goals and guidance, and establishes the budget for the organization.

There are five appointed City officials including the City Treasurer, the City Clerk, the City Attorney, the Municipal Court Judge, and the City Manager. The Fernley Municipal Code and the Nevada Revised Statutes outline the responsibilities for these positions.

The City of Fernley has previously had 58 employees to deliver services required for City government. The proposed organizational chart requests 61.98 FTEs, although one position (one building inspector) is unfunded.

The proposed organizational chart for the City of Fernley is as follows:



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

City Council

Mayor	Roy Edgington
Council Member Ward 1	Shari Whalen
Council Member Ward 2	Dan McCassie
Council Member Ward 3	Stan Lau
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	Daphne Hooper
City Attorney	Brandi Jensen
City Treasurer	Denise Lewis
Municipal Court Judge	Lori Matheus
City Clerk	Kim Swanson
Community Development Director	Mojra Hauenstein
Public Works Director	Dave Whalen



Government Finance Officers Association

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Presented to

**City of Fernley
Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in note 1 to the financial statements, the City of Fernley implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 5-17, the schedule of the proportionate share of the net pension liability on page 60, the schedule of contributions on page 61, the schedule of funding progress-other postemployment benefit plans on page 62, and the budgetary comparison information on pages 64-68, 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 November 16, 2015, 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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC
St. George, Utah
November 16, 2015

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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, 2015. 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 \$136,899,140 at June 30, 2015
- The City's total expenses were \$18,362,165 at June 30, 2015
- Business-Type Activities revenue:
 - Water: \$10,613,454
 - Sewer: \$2,582,932
- Governmental Activities revenue: \$6,313,754
- The City's total revenue was \$19,510,140 at June 30, 2015

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 20 and 21 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 22 through 25 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 26 through 28 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 29 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 30 through 57 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 71 through 77 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

	Governmental activities		Business-type activities		Combined Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current assets	\$ 5,993,208	\$ 5,385,159	\$ 17,463,445	\$ 15,909,979	\$ 23,456,653	\$ 21,295,138
Capital assets	41,255,679	42,513,348	156,847,546	158,918,134	198,103,225	201,431,482
Total assets	47,248,887	47,898,507	174,310,991	174,828,113	221,559,878	222,726,620
Deferred outflows of resources	473,943	-	1,527,720	-	2,001,663	-
Noncurrent liabilities	6,641,527	4,273,939	73,182,972	73,994,184	79,824,499	78,268,123
Other liabilities	1,127,902	869,753	4,350,007	2,244,603	5,477,909	3,114,356
Total liabilities	7,769,429	5,143,692	77,532,979	76,238,787	85,302,408	81,382,479
Deferred inflows of resources	825,516	-	534,477	-	1,359,993	-
Net position:						
Net investment in capital assets	37,695,679	38,673,348	83,801,681	85,184,784	121,497,360	123,858,132
Restricted	495,088	451,356	589,005	588,478	1,084,093	1,039,834
Unrestricted	937,118	3,630,111	13,380,569	12,816,064	14,317,687	16,446,175
Total net position	\$ 39,127,885	\$ 42,754,815	\$ 97,771,255	\$ 98,589,326	\$ 136,899,140	\$ 141,344,141

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

	Governmental activities		Business-type activities		Combined Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,163,481	\$ 2,058,184	\$ 8,242,115	\$ 10,479,831	\$ 10,405,596	\$ 12,538,015
Operating grants and contributions	933,829	1,008,428	-	-	933,829	1,008,428
Capital grants and contributions	404,435	616,222	1,555,727	501,543	1,960,162	1,117,765
General revenues:						
Property taxes	2,199,262	2,145,992	-	-	2,199,262	2,145,992
State consolidated taxes	143,389	136,402	-	-	143,389	136,402
Other taxes	462,873	320,330	3,378,183	-	3,841,056	320,330
Other	6,485	116,164	20,361	35,376	26,846	151,540
Total revenues	6,313,754	6,401,722	13,196,386	11,016,750	19,510,140	17,418,472
Expenses:						
General government	2,283,841	1,991,411	-	-	2,283,841	1,991,411
Judicial	276,019	238,892	-	-	276,019	238,892
Public works	2,001,841	2,202,499	-	-	2,001,841	2,202,499
Health	194,156	192,690	-	-	194,156	192,690
Culture and recreation	788,165	1,384,571	-	-	788,165	1,384,571
Community development	937,675	849,079	-	-	937,675	849,079
Interest and fiscal charges	88,060	92,415	-	-	88,060	92,415
Water	-	-	9,319,610	9,323,274	9,319,610	9,323,274
Sewer	-	-	2,472,798	2,492,747	2,472,798	2,492,747
Total expenses	6,569,757	6,951,557	11,792,408	11,816,021	18,362,165	18,767,578
Increase (decrease) in net position	(256,003)	(549,835)	1,403,978	(799,271)	1,147,975	(1,349,106)
Net position, beginning	42,754,815	43,304,650	98,589,326	99,547,854	141,344,141	142,852,504
Prior period adjustment	61,092	-	-	-	61,092	-
Restatement adjustments*	(3,432,019)	-	(2,222,049)	(159,257)	(5,654,068)	(159,257)
Net position, ending	\$ 39,127,885	\$ 42,754,815	\$ 97,771,255	\$ 98,589,326	\$ 136,899,140	\$ 141,344,141

*Restatement due to the implementation of GASB 68. Please see note disclosures #1 and #13, pages 37 and 57.

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 \$4,445,001. This is a result of the restatements reported for both governmental activities and business-type activities as required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement established standards for measuring and recognizing net pension assets and liabilities, deferred outflows and inflows of resources and the expenses/expenditures related to pension benefits provided through defined benefit pension plans such as PERS. Statement No. 68 requires disclosure of information related to pension benefits and implementation resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements.

Governmental activities decreased the City's net position by \$3,626,930. *Business-type activities* decreased the City's net position by \$818,071. Out of the seven governmental funds, only the capital fund reported a deficiency. The water and sewer funds each reported operating losses. Total City revenues increased by \$2,075,954. The increase in revenues is mainly due to an increase in capital grants for business-type activities. At the close of the current fiscal year, the City's total assets exceeded its total liabilities by \$136,257,470. The City has total positive working capital of \$19,868,952.

The majority of the City's net position (89% or \$121,497,360) 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 (1% or \$1,084,093) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (10% or \$14,317,687) 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.

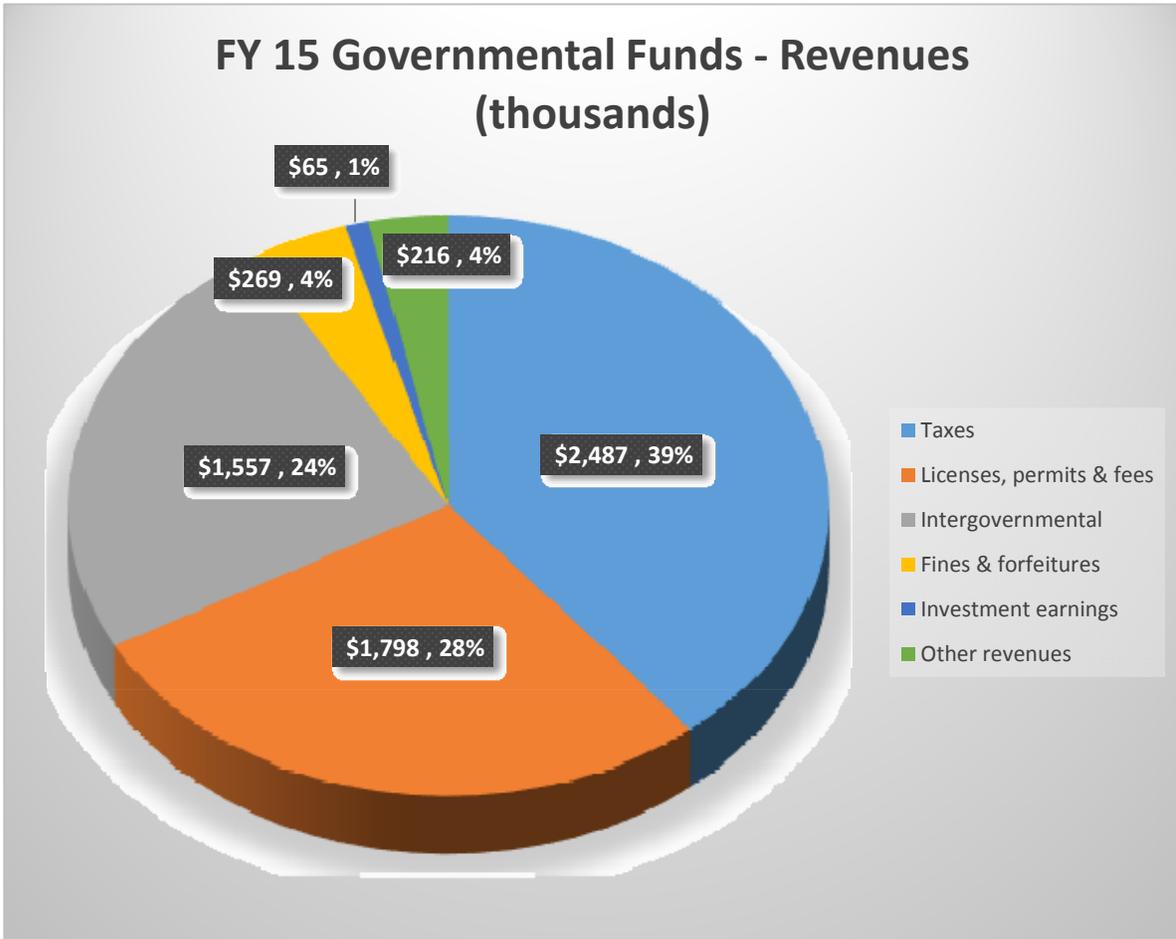
From a fund perspective, at the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,219,179, an increase of \$746,589 in comparison with the prior year. The increase is primarily the result of an increase total assets and a decrease in total liabilities.

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 \$3,808,619. This ending fund balance represents 77% of General Fund expenditures. General Fund non-spendable fund balance, which represents inventories and prepaids, is \$10,812; General Fund restricted fund balance, which includes amounts constrained for a specific purpose by external parties, is \$370,168; General Fund committed fund balance, which represents funds constrained by Council for debt service and public works projects, is \$2,407,946 for the current year. The General Fund assigned fund balance, which is based on the intended use of the funds, is \$47,349; the remaining General Fund fund balance of \$397,344 is unassigned. Unassigned fund balance represents 8.3% of total General Fund expenditures less capital outlay.

At the close of the current fiscal year, excess of revenues over expenditures for the General Fund was \$580,340. In addition, the General Fund had positive working capital of \$3,833,371.

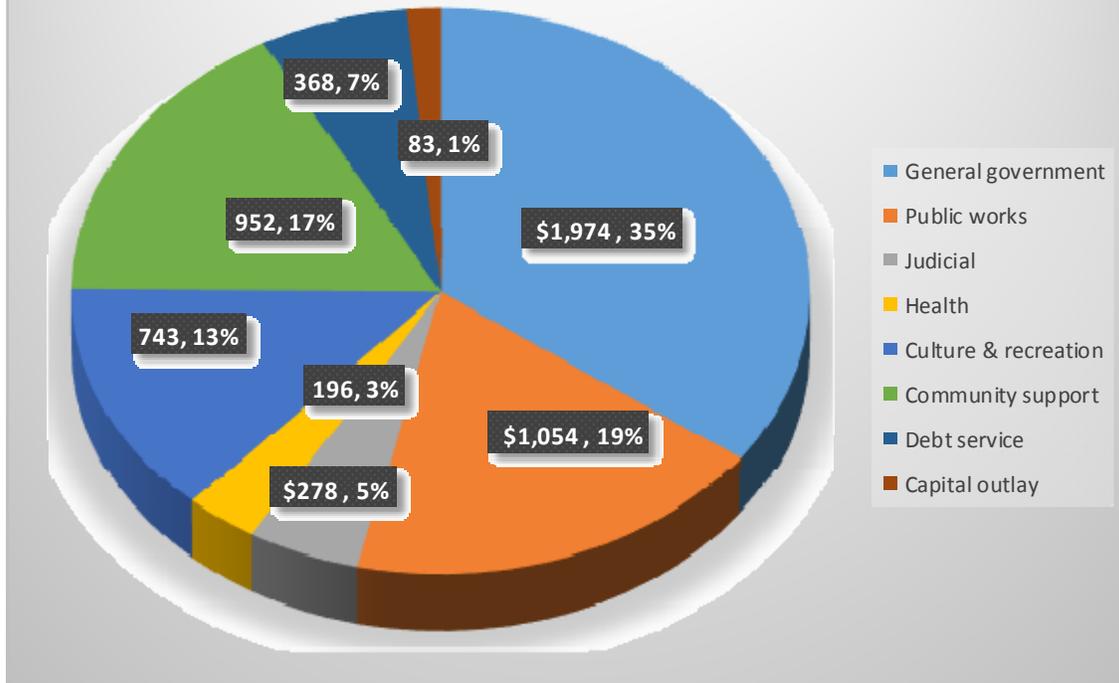
Other governmental funds include the Grants Fund, which is used to track revenues and expenditures for various grants that the City has applied for and received. Since the Grants Fund is only used to account for federal and state grants, the fund should not accumulate a large fund balance. Therefore,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

Governmental funds also include those such as the Municipal Court Administration Fees Fund, the Municipal Court Facilities Fees Fund, the Capital Improvement Fund, the Capital Projects Fund and the Transient Lodging Tax Fund (TLT). The Capital Projects Fund 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 \$560,535. The TLT Fund is used to account for taxes collected for transient accommodations. A portion of the tax collected is reserved for future facilities and a portion is provided as grant awards. Fund balance for the TLT Fund at year end is \$725,106, with \$562,851 committed for future facilities.



The total of governmental fund revenues as of June 30 is \$6,333,220. The two main sources of governmental revenues are taxes and licenses/permits/fees. Taxes make up 39% of revenues and include property taxes and transient lodging taxes. Licenses, permits and fees make up 28% of revenues and include business licenses, franchise fees, liquor licenses, gaming licenses, animal licenses, passport fees, permitting fees, planning fees and inspection fees. Intergovernmental revenues make up 24% of revenues and include consolidated tax, motor vehicle fuel tax and County parks and roads contributions. Fines and forfeitures make up 4% of revenues and include municipal court penalties/fines and warrant fees. Investment earnings make up 1% of revenues and includes interest income. Other revenues, which make up 4% of revenues, includes cemetery fees, donations, reimbursements and other fees.

FY 15 Governmental Funds - Expenditures (thousands)



The total of governmental fund expenditures as of June 30 is \$5,647,723. Within the governmental funds, there six different functions for which there are outlays of expenditures reported and within the functions there are departments. The general government function, which has 35% of outlays, includes the following departments: Mayor/City Council, City Manager, City Attorney, City Clerk, City Treasurer, Facilities and Information Technology. The public works function, which has 19% of outlays includes the streets/stormdrains department. The judicial function, which has 5% of outlays, includes the municipal court. The health function, which has 3% of outlays, includes the cemetery, animal control and vector control departments. The culture and recreation function, which has 13% of outlays, includes the parks department. The community support function, which has 17% of outlays, includes the building and planning departments. Debt service is reported separately and is 7% of outlays and includes principal and interest payments for the City’s administration building. Finally, capital outlay, which is also reported separately, is 1% of governmental expenditures and includes outlay for large projects only.

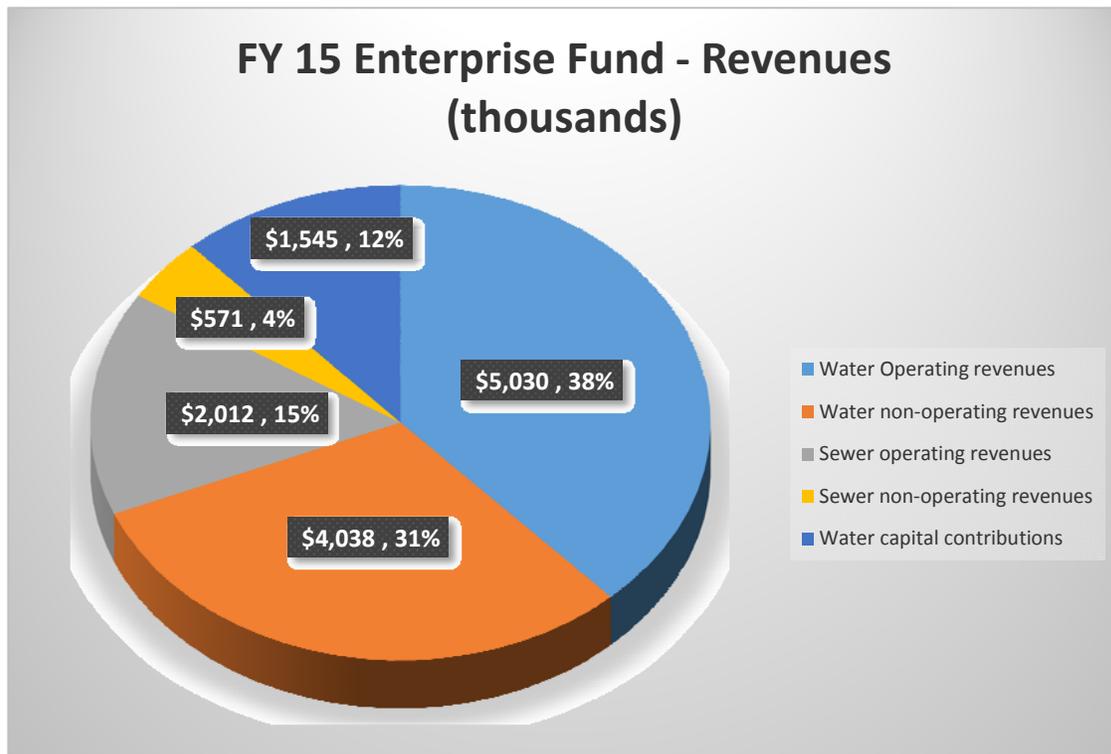
Proprietary Funds

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.

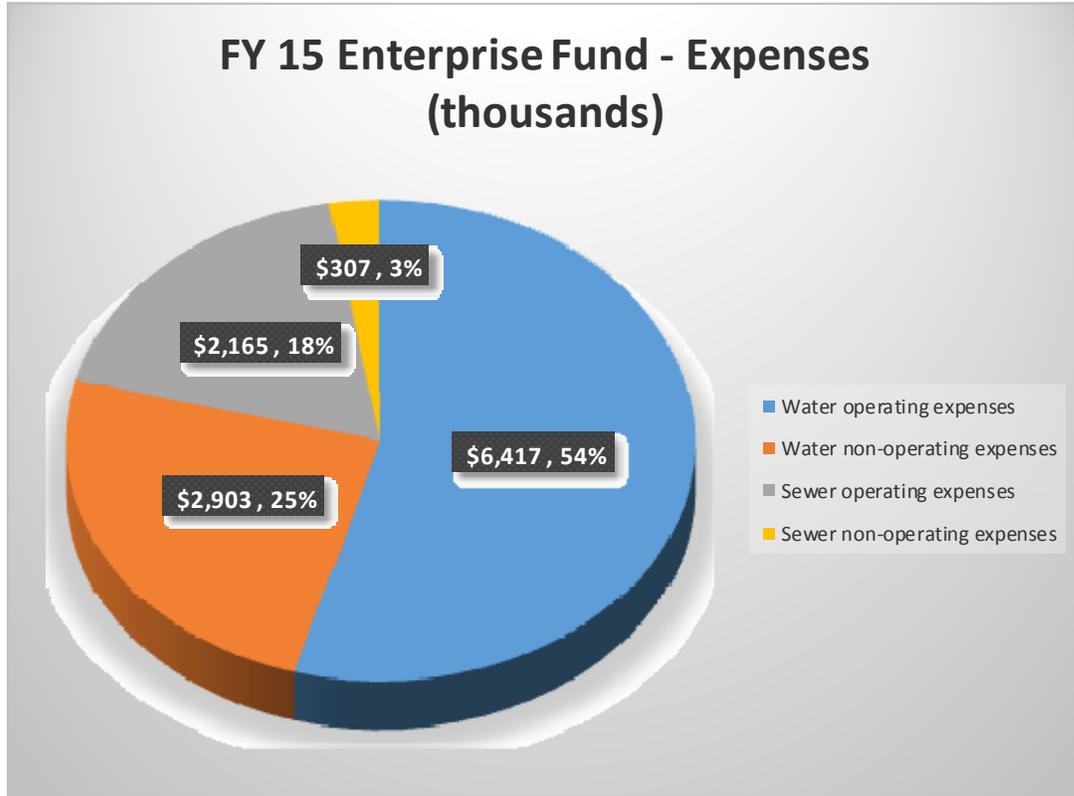
At the close of the current fiscal year, the City’s Enterprise Funds reported a combined ending net position of \$97,771,255, a decrease of \$818,071 in comparison with the prior year. This is due in part to operating expenses exceeding revenues and the GASB 68 restatement adjustment, mentioned earlier. The Water Fund operating loss at the end of the fiscal year is \$1,386,113. The Sewer Fund operating loss at the end of the fiscal year is \$153,143. Total net position in the Water Fund at the end of the year is \$69,797,211. Of that amount \$5,388,595 is unrestricted. Total net position in the Sewer Fund at the end of the year is \$27,974,044. Of that amount, \$7,991,974 is unrestricted. Unrestricted net position is the portion of the excess of total assets over total liabilities that may be utilized at the discretion of Council.

Combined Enterprise Fund revenues increased \$2,149,636 over the prior year and Combined Enterprise Fund expenses decreased by \$23,613 as compared to the prior year. The increase in revenues is primarily due to an increase connection fees and non-cash capital contributions including dedicated surface water rights.

In addition, the Enterprise fund has combined positive working capital of \$12,524,433. The Water Fund has positive working capital of \$4,083,377. The Sewer Fund has positive working capital of \$8,441,056.



The major sources of operating revenues for both water and sewer are user fees for services. These fees represent 53% of enterprise revenues. Non-operating revenues include bond debt fee revenue for water, connection fees, interest income, grant income and non-cash capital contributions.



Operating expenses for both water and sewer include salaries, employee benefits, services, supplies and depreciation. They make up 72% of expenses. Non-operating expenses include 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 \$995,511. The shortfall is a result of the City not spending and then ultimately being reimbursed for \$1,091,846 in Regional Transportation Commission “RTC” funds that were planned to be spent. RTC revenues and expenditures net to zero. General Fund expenditures indicate a positive budget vs. actual variance of \$1,981,662. This is a result of not spending \$1,091,846 in RTC funds in addition to the City having savings in every department but

one. General Fund excess of revenues over expenditures for the year indicated a positive variance of \$986,151. The net change in fund balance for the year is \$591,391.

Total water revenues (excluding capital contributions) indicate a positive variance of \$128,001. This is a result of more connection fees and more in lieu of fees being collected than anticipated. Total water expenses indicate a positive variance of \$465,228. This is attributable to a decrease in interest expense and overall departmental savings. The Water Fund's change in net position indicates a positive variance of \$2,137,982. The actual change in net position is \$1,293,844. Total sewer revenues indicate a positive variance of \$531,668, which is due to more connection fees being received than anticipated. Sewer expenses indicate a positive variance of \$357,096, which is a result of overall departmental savings. The Sewer Fund's change in net position indicates a positive variance of \$888,764. The actual change in net position is \$110,134.

Budgetary schedules can be found on pages 63 through 80 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, 2015, amounts to \$121,497,360 (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 2%. The City's total capital assets increased by \$2,333,151. The majority of this increase is due to the dedication of surface water rights valued at approximately \$1.5 million. In addition \$513,393 was spent on improvements, machinery and equipment. Net capital decreased \$3,328,257 due to depreciation.

City of Fernley Capital Assets

(net of depreciation)

	Governmental activities		Business-type activities		Totals	
	FY15	FY14	FY15	FY14	FY15	FY14
*Land	\$3,967,460	\$3,967,460	\$1,195,948	\$1,195,948	\$5,163,408	\$5,163,408
*Water rights	--	--	40,575,226	39,078,751	40,575,226	39,078,751
*Construction in progress	223,853	220,537	393,076	86,251	616,929	306,788
Buildings	8,667,420	8,638,565	17,530	17,530	8,684,950	8,656,095
Improvements other than buildings	9,615,737	12,898,376	151,037,896	150,796,120	160,653,633	163,694,496
Machinery & Equipment	1,491,198	1,431,662	1,891,177	1,853,901	3,382,375	3,285,563
Other capital assets	33,446,610	30,004,879	1,671,630	1,671,630	35,118,240	31,676,509
TOTAL	57,412,278	57,161,479	196,782,483	194,700,131	254,194,761	251,861,610
Accumulated depreciation	(16,156,599)	(14,648,131)	(39,934,937)	(35,781,997)	(56,091,536)	(50,430,128)
Capital assets, net	\$41,255,679	\$42,513,348	\$156,847,546	\$158,918,134	\$198,103,225	\$201,431,482

*Capital assets, which are not being depreciated

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 \$73,005,000 and lease-purchase debt of \$3,560,000. 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 \$185,865, installment purchase debt of \$3,560,000, net pension liability of \$4,922,973 and other post employment benefits (OPEB) of \$589,009.

	Governmental activities		Business-type activities		Totals	
	FY15	FY14	FY15	FY14	FY15	FY14
General obligation/revenue bonds	--	--	\$73,005,000	\$73,690,000	\$73,005,000	\$73,690,000
Installment purchase debt	3,560,000	3,840,000	--	--	3,560,000	3,840,000
Unamortized bond premium	--	--	40,865	43,350	40,865	43,350
Compensated absences	99,088	116,193	86,777	79,671	185,865	195,864
Net pension liability	2,988,244	--	1,934,729	--	4,922,973	--
Other postemployment benefit obligations	372,820	317,746	216,189	181,163	589,009	498,909
TOTAL	\$7,020,152	\$4,273,939	\$75,283,560	\$73,994,184	\$82,303,712	\$78,268,123

The City's total debt increased by \$4,035,589 during the current fiscal year due to the addition of net pension liability being reported on the balance sheet as required by GASB 68.

Additional information of the City's long-term debt can be found in Note 7 on pages 45 and 46 of this report.

Economic Factors and Next Year's Budget and Rates

The City submitted the FY 2015/16 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.

As we move into the next budget year, we address several key priorities established by City Council:

- Road improvement and maintenance
- Community development/permitting
- Consolidated tax
- Parks improvement and maintenance
- Storm drains
- Water management/water rights
- Water meters
- Fire hydrants
- Water and sewer infrastructure maintenance
- Water and sewer rate study
- Sewer equipment maintenance
- Sewer preventative maintenance

These key priorities assist staff in making determinations as to the types of expenses and expenditures to include in their respective budget requests and as to total appropriations, which are ultimately approved by City Council.

General fund revenues are budgeted to increase by \$1.8 million over prior year's actual. The increase is attributable to RTC revenue, which includes funds allocated to the City for roads projects.

General fund expenditures are budgeted to increase over prior year's actual by \$3.2M. \$2.3 million of the increase is attributable to roads projects, \$1.8 million of which will be an offset to RTC revenues. Also attributable is the addition of a legal secretary, a deputy City Attorney, a full-time engineer, the addition of a full-time staff member in the City Clerk's office and additional staff in the Municipal Court. Contingency funds have been budgeted for \$237,482 for 15/16. However, such funds have not been required to be used in the recent past. The increase is also attributable to approximately \$400,000 in capital spending planned for facilities and parks.

Water fund revenues, before capital contributions, are budgeted to increase over prior year's actual by \$211,000 due to increased water sales projections. Water fund expenses are budgeted to increase by \$370,000 due to an increase in salaries and benefits, an increase in cost allocations for shared costs and an increase in operating expenses.

Sewer fund revenues are budgeted to decrease by approximately \$262,000, which is mainly due to fewer anticipated connection fees being collected. Sewer fund expenses are budgeted to increase by \$385,000 due to an increase in salaries and benefits, an increase in cost allocations for shared costs and an increase in operating expenses. Net operating losses anticipated for 2016 in both the water and sewer funds are \$1,350,000 and \$541,000, respectively.

The economic outlook for the City of Fernley is positive. Assessed values of real property continue to increase, the City continues to experience higher volumes of building permit requests and residential vacancies are reported to be minimal. With the opportunities and potential for growth that lie ahead, the City of Fernley will need to be prepared and it is up to management to analyze and plan for such growth. Since growth affects cost, going forward, it will be very important for the City to cover its cost of operations and reserve funds for the future.

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. Therefore, there is adequate cash to meet current obligations and those expected in the near future. However, to ensure the financial position of the City remains positive, it will be in the best interest of the City for management to continually plan ahead, operate within budget, collect revenue due and continue to analyze water and sewer rates and other fee structures in order to ultimately make recommendations to City Council. The City of Fernley is at a very crucial point in its existence and in order to properly plan for the City's future, it will be very important that responsible decisions are made at all levels of management.

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.

BASIC FINANCIAL STATEMENTS

CITY OF FERNLEY, NEVADA
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 5,466,835	\$ 15,565,900	\$ 21,032,735
Receivables (net of allowance)	515,561	898,447	1,414,008
Inventory	10,812	94,402	105,214
Prepays	-	315,691	315,691
Restricted assets:			
Temporarily restricted:			
Cash and investments	-	589,005	589,005
Capital assets (net of accumulated depreciation):			
Land and water rights	3,967,460	41,771,174	45,738,634
Construction in progress	223,853	393,076	616,929
Buildings	5,367,560	-	5,367,560
Improvements and other	5,574,053	114,604,972	120,179,025
Machinery, equipment and vehicles	273,334	78,324	351,658
Infrastructure	25,849,419	-	25,849,419
Total assets	<u>47,248,887</u>	<u>174,310,991</u>	<u>221,559,878</u>
Deferred outflows of resources			
Deferred charge on refunding	-	1,220,868	1,220,868
Deferred outflows related to pensions	473,943	306,852	780,795
Total deferred outflows of resources	<u>473,943</u>	<u>1,527,720</u>	<u>2,001,663</u>
Liabilities			
Accounts payable and other current liabilities	695,377	355,429	1,050,806
Unearned revenue	53,900	-	53,900
Refundable deposits	-	589,005	589,005
Accrued interest	-	1,304,985	1,304,985
Noncurrent liabilities:			
Due within one year	378,625	2,100,588	2,479,213
Due in more than one year	6,641,527	73,182,972	79,824,499
Total liabilities	<u>7,769,429</u>	<u>77,532,979</u>	<u>85,302,408</u>
Deferred inflows of resources			
Deferred inflows related to pensions	825,516	534,477	1,359,993
Total deferred inflows of resources	<u>825,516</u>	<u>534,477</u>	<u>1,359,993</u>
Net position			
Net investment in capital assets	37,695,679	83,801,681	121,497,360
Restricted for:			
Capital projects	87,169	-	87,169
Future development	327,747	-	327,747
Debt service	-	589,005	589,005
Judicial	80,172	-	80,172
Unrestricted	937,118	13,380,569	14,317,687
Total net position	<u>\$ 39,127,885</u>	<u>\$ 97,771,255</u>	<u>\$ 136,899,140</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, 2015

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	\$ 2,283,841	\$ 1,837,966	\$ 12,554	\$ -	\$ (433,321)	\$ -	\$ (433,321)
Public works	2,001,841	41,363	108,154	404,435	(1,447,889)	-	(1,447,889)
Judicial	276,019	268,742	-	-	(7,277)	-	(7,277)
Health	194,156	-	4,621	-	(189,535)	-	(189,535)
Culture and recreation	788,165	15,410	316,850	-	(455,905)	-	(455,905)
Community support and development	937,675	-	491,650	-	(446,025)	-	(446,025)
Interest on long-term debt	88,060	-	-	-	(88,060)	-	(88,060)
Total governmental activities	<u>6,569,757</u>	<u>2,163,481</u>	<u>933,829</u>	<u>404,435</u>	<u>(3,068,012)</u>	<u>-</u>	<u>(3,068,012)</u>
Business-type activities:							
Water	9,319,610	5,681,977	-	1,544,753	-	(2,092,880)	(2,092,880)
Sewer	2,472,798	2,560,138	-	10,974	-	98,314	98,314
Total business-type activities	<u>11,792,408</u>	<u>8,242,115</u>	<u>-</u>	<u>1,555,727</u>	<u>-</u>	<u>(1,994,566)</u>	<u>(1,994,566)</u>
Total primary government	<u>\$ 18,362,165</u>	<u>\$ 10,405,596</u>	<u>\$ 933,829</u>	<u>\$ 1,960,162</u>			
General Revenues:							
Taxes:							
Property taxes					2,199,262	-	2,199,262
Fuel taxes					344,360	-	344,360
Other taxes/bond debt fee revenue					14,000	3,378,183	3,392,183
Unrestricted state consolidation tax					143,389	-	143,389
Unrestricted gaming licenses					104,513	-	104,513
Unrestricted investment earnings					6,485	20,361	26,846
Total general revenues					<u>2,812,009</u>	<u>3,398,544</u>	<u>6,210,553</u>
Change in net position					(256,003)	1,403,978	1,147,975
Net position - beginning					42,754,815	98,589,326	141,344,141
Prior period adjustment					61,092	-	61,092
Restatement adjustments					(3,432,019)	(2,222,049)	(5,654,068)
Net position - ending					<u>\$ 39,127,885</u>	<u>\$ 97,771,255</u>	<u>\$ 136,899,140</u>

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

CITY OF FERNLEY, NEVADA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Special Revenue Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 4,035,888	\$ -	\$ 1,430,947	\$ 5,466,835
Receivables:				
Property taxes	32,845	-	-	32,845
Interest receivable	2,853	-	1,052	3,905
Other	280,877	-	33,998	314,875
Due from other governments	36,921	127,015	-	163,936
Due from other funds	10,791	-	-	10,791
Inventories and prepaids	10,812	-	-	10,812
Total assets	\$ 4,410,987	\$ 127,015	\$ 1,465,997	\$ 6,003,999
Liabilities				
Accounts payable	\$ 323,114	\$ 116,224	\$ 55,437	\$ 494,775
Accrued liabilities	68,334	-	-	68,334
Due to other funds	-	10,791	-	10,791
Due to developers	132,268	-	-	132,268
Unearned revenue	53,900	-	-	53,900
Total liabilities	577,616	127,015	55,437	760,068
Deferred inflows of resources				
Unavailable revenue - property taxes	24,752	-	-	24,752
Fund balances				
Nonspendable:				
Inventories and prepaids	10,812	-	-	10,812
Restricted for:				
Judicial	-	-	80,172	80,172
Capital projects	42,421	-	44,748	87,169
Future development	327,747	-	-	327,747
Committed:				
Capital projects	-	-	560,535	560,535
Convention center	-	-	562,851	562,851
Debt service	575,000	-	-	575,000
Public works	2,407,946	-	-	2,407,946
Assigned to:				
Next year's budget appropriation	47,349	-	-	47,349
Culture and recreation	-	-	162,254	162,254
Unassigned	397,344	-	-	397,344
Total fund balances	3,808,619	-	1,410,560	5,219,179
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,410,987	\$ 127,015	\$ 1,465,997	\$ 6,003,999

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, 2015

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

Total fund balances - total governmental funds		\$ 5,219,179
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 57,412,278	
Accumulated depreciation	<u>(16,156,599)</u>	41,255,679
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 funds.		
Bonds payable	\$ (3,560,000)	
Compensated absences	(99,088)	
Other postemployment benefits liability	(372,820)	
Net pension liability	<u>(2,988,244)</u>	(7,020,152)
Unavailable revenue associated with property taxes is recognized as revenue in the government-wide statements.		
		24,752
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	\$ 473,943	
Deferred inflows related to pensions	<u>(825,516)</u>	(351,573)
Net position of governmental activities		\$ 39,127,885

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, 2015

	<u>General</u>	<u>Special Revenue Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 2,231,326	\$ -	\$ 256,075	\$ 2,487,401
Licenses, permits and fees	1,798,242	-	-	1,798,242
Intergovernmental revenue	1,059,067	496,271	1,495	1,556,833
Fines and forfeitures	217,404	-	51,338	268,742
Investment earnings	4,702	-	1,784	6,486
Other revenues	215,516	-	-	215,516
Total revenues	<u>5,526,257</u>	<u>496,271</u>	<u>310,692</u>	<u>6,333,220</u>
Expenditures				
Current:				
General government	1,974,369	-	-	1,974,369
Public works	1,053,634	-	-	1,053,634
Judicial	244,702	-	33,403	278,105
Health	191,041	4,621	-	195,662
Culture and recreation	642,673	-	100,367	743,040
Community support and development	471,438	480,599	-	952,037
Debt service:				
Principal	280,000	-	-	280,000
Interest	88,060	-	-	88,060
Capital outlay	-	-	82,816	82,816
Total expenditures	<u>4,945,917</u>	<u>485,220</u>	<u>216,586</u>	<u>5,647,723</u>
Excess (deficiency) of revenues over (under) expenditures	<u>580,340</u>	<u>11,051</u>	<u>94,106</u>	<u>685,497</u>
Other financing sources (uses)				
Transfers in	11,051	-	-	11,051
Transfers out	-	(11,051)	-	(11,051)
Total other financing sources (uses)	<u>11,051</u>	<u>(11,051)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	591,391	-	94,106	685,497
Fund balances, beginning of year	3,156,136	-	1,316,454	4,472,590
Prior period adjustment	61,092	-	-	61,092
Fund balances, end of year	<u>\$ 3,808,619</u>	<u>\$ -</u>	<u>\$ 1,410,560</u>	<u>\$ 5,219,179</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, 2015

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

Net change in fund balances - total governmental funds \$ 685,497

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.

Capital outlay	\$ 266,513	
Depreciation expense	<u>(1,508,468)</u>	(1,241,955)

The statement of activities reports losses from capital asset deletions. Conversely, governmental funds do not report any gain or loss on the retirement of capital assets. (15,714)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 280,000

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. (18,064)

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured a year before the government's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension contributions	\$ 473,943	
Pension expense	<u>(381,741)</u>	92,202

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. (37,969)

Change in net position of governmental activities \$ (256,003)

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

CITY OF FERNLEY, NEVADA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Water Fund	Sewer Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and investments	\$ 6,609,801	\$ 8,956,099	\$ 15,565,900
Receivables, net of allowance	696,631	189,913	886,544
Interest receivable	4,915	6,988	11,903
Inventory	89,752	4,650	94,402
Prepaid expense	284,278	31,413	315,691
Total current assets	<u>7,685,377</u>	<u>9,189,063</u>	<u>16,874,440</u>
Noncurrent assets:			
Restricted cash and investments	294,526	294,479	589,005
Capital assets:			
Land and water rights	41,585,464	185,710	41,771,174
Construction-in-progress	96,817	296,259	393,076
Buildings	8,765	8,765	17,530
Improvements and other	114,873,413	37,836,113	152,709,526
Machinery, equipment and vehicles	872,070	1,019,107	1,891,177
Less accumulated depreciation	<u>(27,362,482)</u>	<u>(12,572,455)</u>	<u>(39,934,937)</u>
Total noncurrent assets	<u>130,368,573</u>	<u>27,067,978</u>	<u>157,436,551</u>
Total assets	<u>138,053,950</u>	<u>36,257,041</u>	<u>174,310,991</u>
Deferred outflows of resources			
Deferred charge on refunding	1,097,902	122,966	1,220,868
Deferred outflows related to pensions	206,520	100,332	306,852
Total deferred outflows of resources	<u>1,304,422</u>	<u>223,298</u>	<u>1,527,720</u>
Liabilities			
Current liabilities:			
Accounts payable	209,963	103,202	313,165
Accrued liabilities	25,060	17,204	42,264
Refundable deposits	294,526	294,479	589,005
Accrued interest	1,179,809	125,176	1,304,985
Compensated absences	61,975	11,128	73,103
Bonds payable - current	1,830,667	196,818	2,027,485
Total current liabilities	<u>3,602,000</u>	<u>748,007</u>	<u>4,350,007</u>
Noncurrent liabilities:			
Compensated absences	11,593	2,081	13,674
Other postemployment benefits obligation	156,433	59,756	216,189
Bonds payable	64,129,290	6,889,090	71,018,380
Net pension liability	1,302,127	632,602	1,934,729
Total noncurrent liabilities	<u>65,599,443</u>	<u>7,583,529</u>	<u>73,182,972</u>
Total liabilities	<u>69,201,443</u>	<u>8,331,536</u>	<u>77,532,979</u>
Deferred inflows of resources			
Deferred inflows related to pensions	359,718	174,759	534,477
Total deferred inflows of resources	<u>359,718</u>	<u>174,759</u>	<u>534,477</u>
Net position			
Net investment in capital assets	64,114,090	19,687,591	83,801,681
Restricted for debt service	294,526	294,479	589,005
Unrestricted	5,388,595	7,991,974	13,380,569
Total net position	<u>\$ 69,797,211</u>	<u>\$ 27,974,044</u>	<u>\$ 97,771,255</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, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Enterprise Funds</u>
Operating revenues			
Service fees	\$ 4,822,461	\$ 2,012,025	\$ 6,834,486
Other revenues	207,929	261	208,190
Total operating revenues	<u>5,030,390</u>	<u>2,012,286</u>	<u>7,042,676</u>
Operating expenses			
Salaries	936,082	438,744	1,374,826
Employee benefits	390,932	179,594	570,526
Service, supplies and other	1,921,545	562,096	2,483,641
Depreciation expense	3,167,944	984,995	4,152,939
Total operating expenses	<u>6,416,503</u>	<u>2,165,429</u>	<u>8,581,932</u>
Operating income (loss)	<u>(1,386,113)</u>	<u>(153,143)</u>	<u>(1,539,256)</u>
Nonoperating revenues (expenses)			
Bond debt fee revenue	3,378,183	-	3,378,183
Connection fee revenue	446,296	547,852	994,148
Interest income	8,541	11,820	20,361
Other income	205,291	-	205,291
Interest expense	(2,903,107)	(307,369)	(3,210,476)
Total nonoperating revenues (expenses)	<u>1,135,204</u>	<u>252,303</u>	<u>1,387,507</u>
Income (loss) before contributions	(250,909)	99,160	(151,749)
Grant income	-	10,974	10,974
Capital contributions	1,544,753	-	1,544,753
Change in net position	1,293,844	110,134	1,403,978
Total net position, beginning of year	69,998,868	28,590,458	98,589,326
Restatement adjustments	<u>(1,495,501)</u>	<u>(726,548)</u>	<u>(2,222,049)</u>
Total net position, end of year	<u>\$ 69,797,211</u>	<u>\$ 27,974,044</u>	<u>\$ 97,771,255</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, 2015

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 4,864,019	\$ 2,010,649	\$ 6,874,668
Cash received from customers, capacity fees and other	207,929	261	208,190
Cash paid to suppliers	(1,729,027)	(472,315)	(2,201,342)
Cash paid to employees	(1,331,337)	(618,880)	(1,950,217)
Net cash flows from operating activities	<u>2,011,584</u>	<u>919,715</u>	<u>2,931,299</u>
Cash flows from capital and related financing activities:			
Sales taxes	205,291	-	205,291
Bond debt fee revenue	3,426,785	-	3,426,785
Grant revenue	-	10,974	10,974
Principal paid on capital debt	(1,721,671)	(184,197)	(1,905,868)
Interest paid on capital debt	(3,010,950)	(319,721)	(3,330,671)
Acquisition and construction of capital assets	(18,402)	(519,196)	(537,598)
Connection fees	446,296	547,852	994,148
Net cash flows from capital and related financing activities	<u>(672,651)</u>	<u>(464,288)</u>	<u>(1,136,939)</u>
Cash flows from investing activities:			
Interest on investments	5,673	8,201	13,874
Net change in cash and investments	1,344,606	463,628	1,808,234
Cash and investments, including restricted, beginning of year	5,559,721	8,786,950	14,346,671
Cash and investments, including restricted, end of year	<u>\$ 6,904,327</u>	<u>\$ 9,250,578</u>	<u>\$ 16,154,905</u>
Reconciliation of operating income to net cash flows from operating activities:			
Operating income (loss)	\$ (1,386,113)	\$ (153,143)	\$ (1,539,256)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities			
Depreciation expense	3,167,944	984,995	4,152,939
Pension expense	166,344	80,813	247,157
Pension contributions	(206,520)	(100,332)	(306,852)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	36,014	3,641	39,655
(Increase) decrease in inventories	(17,428)	8,372	(9,056)
(Increase) decrease in prepaid expenses	147,934	34,120	182,054
Increase (decrease) in accounts payable	62,012	47,289	109,301
Increase (decrease) in accrued liabilities	4,108	8,590	12,698
Increase (decrease) in customer deposits	5,544	(5,017)	527
Increase (decrease) in other postemployment benefits	25,748	9,278	35,026
Increase (decrease) in compensated absences payable	5,997	1,109	7,106
Net cash flows from operating activities	<u>\$ 2,011,584</u>	<u>\$ 919,715</u>	<u>\$ 2,931,299</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets from developers	\$ 1,544,753	\$ -	\$ 1,544,753
Water Refunding Bonds, Series 2014 issued, refunding a portion of the 2007/2008 bonds	\$ 11,569,229	\$ 1,295,771	\$ 12,865,000
Deferred charge on refunding	\$ (1,097,902)	\$ (122,966)	\$ (1,220,868)

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

CITY OF FERNLEY, NEVADA
Statement of Net Position
Fiduciary Fund
June 30, 2015

	<u>Municipal Trust Fund</u>
Assets	
Current assets:	
Cash and investments	\$ 30,473
Total assets	<u>\$ 30,473</u>
Liabilities	
Current liabilities:	
Bail bond deposits held for others	\$ 30,473
Total liabilities	<u>\$ 30,473</u>

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

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies

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, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

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 Investment Pool, which is reported at fair value.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

Interest income earned is distributed to the appropriate funds based on each fund's equity in the investment. The City also invests in the Nevada Enhanced Savings Term Program (NVEST) and monies are managed by a money manager. The money manager is required to report to the City on a quarterly basis.

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, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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 net 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 has two items that qualify for reporting in this category. One item is a pension related item reported on the government-wide financial statements. See footnote 10 for more information. The second item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net 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 two types of these items that qualify for reporting in this category. One type arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund's balance sheet.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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. The other item is a pension related item reported on the government-wide financial statements. See footnote 10 for more information

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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).

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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 a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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.

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.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies, Continued

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.

New pronouncements

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 13).

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CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 2. Reconciliation of Government-wide and Fund Financial Statements

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 23.

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 25.

NOTE 3. Stewardship, Compliance and Accountability

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 no sooner than the third Monday in May and no later than the last day 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 Department of Taxation for final approval.
4. The City may not amend the budget without approval by the City Council. The Finance Director is authorized to transfer appropriations between accounts within any function, 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, 2015

NOTE 3. Stewardship, Compliance and Accountability, Continued

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 not been amended from the original budget amounts. There were no amendments for augmentations for prior obligations or 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, 2015, 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, 2015

NOTE 3. Stewardship, Compliance and Accountability, Continued

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.

NOTE 4. Cash and Investments

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

Cash and investments	\$ 21,032,735
Restricted cash and investments	589,005
Trust and agency fund monies	30,473
	<u>\$ 21,652,213</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, 2015 cash on hand was \$1,350 and the carrying amount of the City’s deposits was \$2,930,178. None of the City’s bank balance of \$2,905,699 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, 2015

NOTE 4. Cash and Investments, Continued

As of June 30, 2015 the City had the following investments, maturities and credit ratings:

Investment Type	Fair Value	Credit Rating (1)		Weighted Average Maturity (2)
		S&P	Moody's	
Corporate Bonds	\$ 2,994,189	N/A	N/A	757
Mortgage-Backed	2,766,913	N/A	N/A	3,040
U.S. Agencies	657,843	AA+	Aaa	119
U.S. Treasuries	7,546,642	AA+	Aaa	305
Nevada Local Government Investment Pool	4,755,097	N/A	N/A	36
Total Fair Value	<u>\$ 18,720,684</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.

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, 2015

NOTE 5. Receivables

Receivables, net of allowance

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

	<u>Water Fund</u>	<u>Sewer Fund</u>
Service revenue receivable	\$ 504,452	\$ 190,342
Allowance for doubtful accounts	<u>(6,701)</u>	<u>(429)</u>
	497,751	189,913
Intergovernmental receivable	48,093	-
Bond debt fees receivable	<u>150,787</u>	-
	<u><u>\$ 696,631</u></u>	<u><u>\$ 189,913</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.

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CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 6. Capital Assets

Governmental capital asset activity for the year ended June 30, 2015 was as follows:

Governmental Activities:	Balance 6/30/2014	Additions	Deletions	Transfers	Balance 6/30/2015
Capital assets, not being depreciated:					
Land	\$ 3,967,460	\$ -	\$ -	\$ -	\$ 3,967,460
Construction in progress	220,537	134,192	(130,876)		223,853
Total capital assets, not being depreciated:	<u>4,187,997</u>	<u>134,192</u>	<u>(130,876)</u>		<u>4,191,313</u>
Capital assets, being depreciated:					
Buildings	8,638,565	28,855	-		8,667,420
Improvements	12,898,376	174,806		(3,457,445)	9,615,737
Machinery and equipment	1,431,662	59,536			1,491,198
Infrastructure	30,004,879		(15,714)	3,457,445	33,446,610
Total capital assets, being depreciated:	<u>52,973,482</u>	<u>263,197</u>	<u>(15,714)</u>	<u>-</u>	<u>53,220,965</u>
Less accumulated depreciation for:					
Buildings	(2,953,963)	(345,897)	-	-	(3,299,860)
Improvements	(3,764,909)	(276,775)	-	-	(4,041,684)
Machinery and equipment	(1,144,017)	(73,847)	-	-	(1,217,864)
Infrastructure	(6,785,242)	(811,949)	-	-	(7,597,191)
Total accumulated depreciation	<u>(14,648,131)</u>	<u>(1,508,468)</u>	<u>-</u>	<u>-</u>	<u>(16,156,599)</u>
Total capital assets, being depreciated, net	<u>38,325,351</u>	<u>(1,245,271)</u>	<u>(15,714)</u>	<u>-</u>	<u>37,064,366</u>
Governmental activities capital assets, net	<u>\$ 42,513,348</u>	<u>\$ (1,111,079)</u>	<u>\$ (146,590)</u>	<u>\$ -</u>	<u>\$ 41,255,679</u>

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

Governmental Activities:	
General government	\$ 376,060
Public works	1,076,776
Judicial	816
Culture and recreation	54,281
Health	535
Total depreciation expense - governmental activities	<u>\$ 1,508,468</u>

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 6. Capital Assets, Continued

Business-type capital asset activity for the year ended June 30, 2015 was as follows:

Business Type Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets not being depreciated:				
Land	\$ 1,195,948	\$ -	\$ -	\$ 1,195,948
Water rights	39,078,751	1,496,475	-	40,575,226
Construction in progress	86,251	509,999	(203,174)	393,076
Total capital assets, not being depreciated	<u>40,360,950</u>	<u>2,006,474</u>	<u>(203,174)</u>	<u>42,164,250</u>
Capital assets being depreciated:				
Buildings	17,530	-	-	17,530
Improvements	150,796,120	241,776	-	151,037,896
Machinery and equipment	1,853,902	37,275	-	1,891,177
Other capital assets	1,671,630	-	-	1,671,630
Total capital assets, being depreciated	<u>154,339,182</u>	<u>279,051</u>	<u>-</u>	<u>154,618,233</u>
Less accumulated depreciation for:				
Buildings	(17,530)	-	-	(17,530)
Improvements	(33,000,080)	(3,974,479)	-	(36,974,559)
Machinery and equipment	(1,715,851)	(97,002)	-	(1,812,853)
Other capital assets	(1,048,537)	(81,458)	-	(1,129,995)
Total accumulated depreciation	<u>(35,781,998)</u>	<u>(4,152,939)</u>	<u>-</u>	<u>(39,934,937)</u>
Total capital assets, being depreciated, net	<u>118,557,184</u>	<u>(3,873,888)</u>	<u>-</u>	<u>114,683,296</u>
Business-type activities capital assets, net	<u>\$ 158,918,134</u>	<u>\$ (1,867,414)</u>	<u>\$ (203,174)</u>	<u>\$ 156,847,546</u>

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

Business-Type Activities:	
Water	\$ 3,167,944
Sewer	984,995
Total depreciation expense - business-type activities	<u>\$ 4,152,939</u>

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 7. Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Issue Date	Interest Rate	Maturity Date	Authorized and Issued	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
Governmental Activities:									
Refunding Installment Purchase Agreement	6/29/2012	2.38%	12/1/2025	\$ 4,010,000	\$ 3,840,000	\$ -	\$ (280,000)	\$ 3,560,000	\$ 286,000
Compensated absences					116,193	93,163	(110,268)	99,088	92,625
Net pension liability**					3,770,388	-	(782,144)	2,988,244	-
Net other postemployment benefit obligations payable					317,746	55,074	-	372,820	-
Total governmental activities					<u>8,044,327</u>	<u>148,237</u>	<u>(1,172,412)</u>	<u>7,020,152</u>	<u>378,625</u>
Business-type Activities:									
Sewer Fund:									
2007 Bond Issue	3/28/2007	4% - 5%	2/1/2037	5,500,000	4,892,250	-	(1,042,800)	3,849,450	124,850
2008 Bond Issue	4/1/2008	3.25%-5%	2/1/2038	2,500,000	2,240,414	-	(305,598)	1,934,816	58,666
2014 Bond Issue	10/23/2014	2.48%	2/1/2026	1,295,771	-	1,295,771	(8,561)	1,287,210	12,590
				<u>9,295,771</u>	<u>7,132,664</u>	<u>1,295,771</u>	<u>(1,356,959)</u>	<u>7,071,476</u>	<u>196,106</u>
Water Fund:									
2007 Bond Issue	3/28/2007	4% - 5%	2/1/2037	44,500,000	39,582,750	-	(8,437,200)	31,145,550	1,010,150
2008 Bond Issue	4/1/2008	3.25%-5%	2/1/2038	30,100,000	26,974,586	-	(3,679,402)	23,295,184	706,334
2014 Bond Issue	10/23/2014	2.48%	2/1/2026	11,569,229	-	11,569,229	(76,439)	11,492,790	112,410
				<u>86,169,229</u>	<u>66,557,336</u>	<u>11,569,229</u>	<u>(12,193,041)</u>	<u>65,933,524</u>	<u>1,828,894</u>
Unamortized bond (discount)/premium					43,350	-	(2,485)	40,865	2,485
Compensated absences					79,671		7,106	86,777	73,103
Net pension liability **					2,441,124	-	(506,395)	1,934,729	-
Net other postemployment benefit obligations payable					181,163	35,026	-	216,189	-
Total Business Type Activities					<u>76,435,308</u>	<u>12,900,026</u>	<u>(14,051,774)</u>	<u>75,283,560</u>	<u>2,100,588</u>
Total Long Term Debt					<u>\$ 84,479,635</u>	<u>\$ 13,048,263</u>	<u>\$(15,224,186)</u>	<u>\$ 82,303,712</u>	<u>\$ 2,479,213</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. The net pension liability and the net other postemployment benefit obligations are liquidated by the general fund.

*See Note 15 regarding the 2014 refunding bond issuance

** See Note 13 regarding the beginning balances of the net pension liability.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 7. Long-Term Liabilities, Continued

The purposes of individual bond issues are as follows:

- Governmental Refunding Purchase Agreement: Refinance debt on City Hall facilities.
- 2007 Bond Issue: Finance the Construction of the Water Treatment Plant, the Fernley interceptor upgrade and the East Lift Station.
- 2008 Bond Issue: Finance the construction of the Water Treatment Plant and the Highway 50 Lift Station
- 2014 Refunding Bond Issue: Refund a portion of the 2007 and 2008 Bond Issues.

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
2016	\$ 286,000	\$ 81,325	\$ 196,106	\$ 300,422	\$ 1,828,894	\$ 2,831,541
2017	293,000	74,435	204,577	290,934	1,905,423	2,742,929
2018	301,000	67,366	213,477	281,035	1,986,523	2,650,604
2019	308,000	60,119	223,431	271,320	2,076,569	2,561,795
2020	315,000	52,705	233,769	261,143	2,171,231	2,468,874
2021-2025	1,694,000	145,918	1,302,313	1,161,684	12,177,687	10,983,013
2026-2030	363,000	4,320	1,603,899	933,865	14,751,101	8,853,888
2031-2035	-	-	2,007,457	527,868	18,572,543	5,052,457
2036-2038	-	-	1,086,447	85,568	10,463,553	862,144
Total	\$ 3,560,000	\$ 486,188	\$ 7,071,476	\$ 4,113,838	\$ 65,933,524	\$ 39,007,244

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

Period Ending June 30,	Combined Total	
	Principal	Interest
2016	\$ 2,311,000	\$ 3,213,288
2017	2,403,000	3,108,298
2018	2,501,000	2,999,005
2019	2,608,000	2,893,234
2020	2,720,000	2,782,722
2021-2025	15,174,000	12,290,614
2026-2030	16,718,000	9,792,073
2031-2035	20,580,000	5,580,325
2036-2038	11,550,000	947,713
Total	\$ 76,565,000	\$ 43,607,270

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 8. Postemployment Retirement Health Insurance Benefit

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

Benefit provisions for the COFEHBP are established pursuant to NRS 287.023 and amended through negotiations between the City and the respective associations. NRS 288.150 assigns the authority to establish benefit provisions to the Board of Commissioners. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the City's group health insurance plan, which covers both active and retired members. Under NRS 287.023, eligible retirees are able to participate in the plan with blended rates, thereby benefitting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. As of June 30, 2015, 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, 2015, five City retirees were utilizing this benefit.

Funding Policy: For COFEHBP, contribution requirements of the plan members and the City are established and may be amended through negotiations between the City and the associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. The City's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted for by the City. The implicit subsidy as determined by the actuary is \$10,244 for fiscal year 2015. 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, 2015, 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 2015, the City contributed \$11,732 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, 2015

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 2014-15, 2013-14, and 2012-13 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, 2015	\$ 102,395	\$ 10,244	10%	\$ 570,430
COFEHBP	June 30, 2014	95,747	8,015	8%	478,279
COFEHBP	June 30, 2013	89,396	6,134	7%	390,547
PEBP	June 30, 2015	9,682	11,732	121%	18,580
PEBP	June 30, 2014	9,782	12,661	129%	20,630
PEBP	June 30, 2013	9,848	11,834	120%	23,509
Combined Totals	June 30, 2015	112,077	21,976	-	589,010
Combined Totals	June 30, 2014	105,529	20,676	-	498,909
Combined Totals	June 30, 2013	99,244	17,968	-	414,056

The net OPEB obligation (NOPEBO) as of June 30, 2015, was calculated as follows:

	COFEHBP	PEBP	Total
Annual Required Contribution (ARC)	\$ 105,552	\$ 10,178	\$ 115,730
Interest on net OPEB obligation	19,131	825	19,956
Adjustment to annual required contribution	(22,288)	(1,321)	(23,609)
Annual OPEB Cost	102,395	9,682	112,077
Less: Contributions made	10,244	11,732	21,976
Increase (decrease) in net OPEB obligation	92,151	(2,050)	90,101
Net OPEB obligation – beginning of the year	478,279	20,630	498,909
Net OPEB obligation – end of year	\$ 570,430	\$ 18,580	\$ 589,010

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 8. Postemployment Retirement Health Insurance Benefit, Continued

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

	COFEHBP	PEBP	Total
Accrued actuarial liability (a)	\$ 652,254	\$ 162,201	\$ 814,455
Actuarial value of plan assets (b)	-	-	-
Unfunded Actuarial Accrued Liability (a) – (b)	<u>\$ 652,254</u>	<u>\$ 162,201</u>	<u>\$ 814,455</u>
Funded Ratio (b) / (a)	<u>0%</u>	<u>0%</u>	<u>0%</u>
Covered payroll (c)	<u>\$ 2,760,034</u>	<u>N/A</u>	
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll $([(a) - (b)] / (c))$	<u>24%</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, 2015

NOTE 8. Postemployment Retirement Health Insurance Benefit, Continued

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

	COFEHBP	PEBP
Actuarial valuation date	January 1, 2013	January 1, 2013
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Percentage of Pay	Level Dollar
Amortization period (open)	27 years (closed)	27 years (closed)
Asset valuation method	Market Value	Market Value
Actuarial Assumptions:		
Projected general inflation rate	3%	3%
Investment rate of return	4%	4%
Projected overall salary increase	4%	4%
Medical Healthcare inflation rate*	9% - 5%	9% - 5%
* Actual medical premiums used in 2013, 9% decreasing each year by .5% until 5% is reached in 2021.		

NOTE 9. Interfund Transactions and Balances

As of June 30, 2015, the City had the following internal balances:

<u>Due To</u>	<u>Due From</u> Grants	<u>Total</u>
	Fund	
General Fund	\$ 10,791	\$ 10,791
Total	<u>\$ 10,791</u>	<u>\$ 10,791</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, 2015

NOTE 9. Interfund Transactions and Balances, Continued

For the year ended June 30, 2015, the City made the following interfund transfers:

Transfers out	Transfers in	
	General Fund	Total
Grants Fund	\$ 11,051	\$ 11,051
Total	\$ 11,051	\$ 11,051

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

Public Employees' Retirement System of Nevada (PERS)

Plan description

PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering the System on or after January 1, 2010, are eligible for retirement at 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards to eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

The System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

For the fiscal year ended June 30, 2014 and June 30, 2015 the Statutory Employer/employee matching rate was 13.25% for Regular employees. The Employer-pay contribution (EPC) rate was 25.75% for Regular employees.

The City's contributions for the current and two preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Regular Fund
2013	\$ 628,641
2014	711,581
2015	780,795

Investment policy

The System's policies which determine the investment portfolio target asset allocation are established by the Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System. The following was the Board adopted policy target asset allocation as of June 30, 2014:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return*
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

*As of June 30, 2014, PERS' long-term inflation assumption was 3.50%.

Pension liability

Net pension liability

At June 30, 2015, the City reported a liability of \$4,922,973 for its proportionate share of the PERS' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2014. The City's proportion measured as of June 30, 2014, was 0.04724 percent, which was an increase of 0.002634 percent from its proportion measured as of June 30, 2013.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

Pension liability discount rate sensitivity

The following presents the net pension liability of the PERS as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 7,655,761	\$ 4,922,973	\$ 2,651,330

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial assumptions

The City's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%
Productivity pay increase	0.75%
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.50%, depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in the June 30, 2014 funding actuarial valuation

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Defined Benefit Pension Plan, Continued

return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and June 30, 2013.

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended June 30, 2015, the City recognized pension expense for PERS of \$628,898. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 235,591
Net difference between projected and actual earnings on pension plan investments	-	1,034,026
Changes in proportion and differences between contributions and proportional share of contributions	-	90,376
Subtotal	-	1,359,993
Contributions subsequent to the measurement date	780,795	-
Total	\$ 780,795	\$ 1,359,993
Governmental activities	\$ 473,943	\$ 825,516
Business-type activities	306,852	534,477
	\$ 780,795	\$ 1,359,993

The \$780,795 reported as deferred outflows of resources related to PERS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows (Inflows) of Resources
2016	\$ (321,176)
2017	(321,176)
2018	(321,176)
2019	(321,176)
2020	(44,268)
Thereafter	(31,021)
	\$ (1,359,993)

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 11. Risk Management

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

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

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

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

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

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

NOTE 12. Commitments and Contingencies

The City is involved with several significant construction contracts that will continue from fiscal year 2015 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.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 13. Restatements and Reclassifications

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	Governmental Activities	Business-type Activities	Total
Restatement adjustment - implementation of GASB 68:			
Net pension liability	\$ 3,770,388	\$ 2,441,124	\$ 6,211,512
Deferred outflows - contributions made during fiscal year 2014	(338,369)	(219,075)	(557,444)
Total restatement adjustment	\$ 3,432,019	\$ 2,222,049	\$ 5,654,068

NOTE 14. Prior Period Adjustment

Subsequent to the issuance of the June 30, 2014 financial statements, the City discovered that customer deposits were overstated by \$61,092. This overstatement was related to the Project Plan Review retainer account. Accordingly, the customer deposits beginning balance was reduced with an offset to beginning fund balance. Previous years' statements of revenues, expenditures, and changes in fund balance for the general fund understated revenues in the amount of \$61,092. The overall effect of the change in fund balance was an increase of \$61,092.

CITY OF FERNLEY, NEVADA
Notes to the Financial Statements
June 30, 2015

NOTE 15. Refunding Bond Issuance

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 bond is 2.48 percent. Semi-annual principal and interest payments are payable through February 1, 2026

NOTE 16. Subsequent Events

On August 6, 2015, the City issued \$5,838,000 of General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues) Series 2015A 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. \$3,600,000 of the Series 2007 Bond and \$1,760,000 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 \$1,007,520 and a reduction of \$1,346,997 in future debt service payments. The interest rate on the bonds is 2.35 percent. Semi-annual principal and interest payments are payable through January 1, 2038.

On November 4, 2015, the City issued \$37,665,000 of General Obligation (Limited Tax) Water Refunding Bonds (Additionally Secured by Pledged Revenues) Series 2015B 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. \$16,525,000 of the Series 2007 Bond and \$20,310,000 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 \$3,237,625 and a reduction of \$4,662,688 in future debt service payments. The interest rate on the bonds is 3.22 percent. Semi-annual principal and interest payments are payable through February 1, 2038.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FERNLEY, NEVADA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2015

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Proportion of the net pension liability (asset)	0.047240%
Proportionate share of the net pension liability (asset)	\$ 4,922,973
Covered employee payroll	\$ 2,763,421
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	178.15%
Plan fiduciary net position as a percentage of the total pension liability	76.3%

Note: The District implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CITY OF FERNLEY, NEVADA
Schedule of Contributions
For the Year Ended June 30, 2015

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA

	Reporting Fiscal Year	
	(Measurement Date)	
	2015	
	(2014)	
Contractually required contribution	\$	711,581
Contributions in relation to the contractually required contribution	\$	(711,581)
Contribution deficiency (excess)	<u>\$</u>	<u>-</u>
Covered employee payroll	\$	2,763,421
Contributions as a percentage of covered-employee payroll		25.75%

Note: The entity implemented GASB 68 in fiscal year 2015. Prior year information is not available.

CITY OF FERNLEY, NEVADA
Schedule of Funding Progress – Other Post Employment Benefit Plans
For the Year Ended June 30, 2015

	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	\$ -	\$ 652,254	\$ 652,254	0%	\$ 2,760,034	24%
PEBP*	January 1, 2013	-	162,201	162,201	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
Major Governmental Funds
Schedules of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
June 30, 2015

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes:				
Property tax	\$ 2,310,492	\$ 2,310,492	\$ 2,217,326	\$ (93,166)
Residential construction tax	-	-	14,000	14,000
Total taxes	<u>2,310,492</u>	<u>2,310,492</u>	<u>2,231,326</u>	<u>(79,166)</u>
Licenses, permits and fees:				
Business licenses	200,000	200,000	193,163	(6,837)
Franchise fee	1,160,250	1,160,250	1,216,922	56,672
Liquor licenses	28,000	28,000	32,269	4,269
Gaming licenses	100,000	100,000	104,513	4,513
Building permits	200,000	200,000	196,297	(3,703)
Planning and zoning fees	45,000	45,000	15,517	(29,483)
Public works and inspection fees	-	-	25,846	25,846
Other permits and fees	10,350	10,350	13,715	3,365
Total licenses, fees and permits	<u>1,743,600</u>	<u>1,743,600</u>	<u>1,798,242</u>	<u>54,642</u>
Intergovernmental:				
Motor vehicle fuel tax	334,818	334,818	344,360	9,542
RTC shared revenue	1,200,000	1,200,000	108,154	(1,091,846)
State consolidated tax	140,237	140,237	143,389	3,152
Fernley park agreement	60,000	60,000	60,000	-
County roads contribution	402,326	402,326	402,940	614
Administration fee	-	-	224	224
Total intergovernmental	<u>2,137,381</u>	<u>2,137,381</u>	<u>1,059,067</u>	<u>(1,078,314)</u>
Fines and forfeitures:				
Community service fee	189	189	505	316
Municipal court fines and fees	111,777	111,777	216,899	105,122
Total fines and forfeitures	<u>111,966</u>	<u>111,966</u>	<u>217,404</u>	<u>105,438</u>
Investment earnings:				
Interest earnings	7,000	7,000	4,702	(2,298)
Total investment earnings	<u>7,000</u>	<u>7,000</u>	<u>4,702</u>	<u>(2,298)</u>
Other revenues:				
Cemetery fees	1,200	1,200	1,400	200
Donations	4,500	4,500	775	(3,725)
Park facility rental fee	10,000	10,000	15,410	5,410
Interfund revenues	141,629	141,629	148,241	6,612
Miscellaneous	54,000	54,000	49,690	(4,310)
Total other revenues	<u>211,329</u>	<u>211,329</u>	<u>215,516</u>	<u>4,187</u>
Total revenues	<u>6,521,768</u>	<u>6,521,768</u>	<u>5,526,257</u>	<u>(995,511)</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, 2015

EXPENDITURES	Original Budget	Final Budget	Actual	Variance with Final Budget
General government:				
Mayor and city council:				
Salaries and wages	\$ 73,151	\$ 73,151	\$ 53,361	\$ 19,790
Employee benefits	13,086	13,086	12,299	787
Services, supplies and other	33,890	33,890	28,400	5,490
	<u>120,127</u>	<u>120,127</u>	<u>94,060</u>	<u>26,067</u>
City management:				
Salaries and wages	297,164	297,164	269,836	27,328
Employee benefits	143,440	143,440	118,968	24,472
Services, supplies and other	319,150	319,150	222,731	96,419
	<u>759,754</u>	<u>759,754</u>	<u>611,535</u>	<u>148,219</u>
City clerk:				
Salaries and wages	127,663	127,663	128,891	(1,228)
Employee benefits	63,972	63,972	59,211	4,761
Services, supplies and other	27,572	27,572	26,812	760
	<u>219,207</u>	<u>219,207</u>	<u>214,914</u>	<u>4,293</u>
Finance:				
Salaries and wages	63,328	63,328	68,697	(5,369)
Employee benefits	32,380	32,380	19,932	12,448
Services, supplies and other	277,701	277,701	74,710	202,991
	<u>373,409</u>	<u>373,409</u>	<u>163,339</u>	<u>210,070</u>
City attorney:				
Salaries and wages	157,214	157,214	166,769	(9,555)
Employee benefits	77,284	77,284	66,240	11,044
Services, supplies and other	139,900	139,900	107,510	32,390
	<u>374,398</u>	<u>374,398</u>	<u>340,519</u>	<u>33,879</u>
Facilities (City Hall) and general:				
Salaries and wages	87,145	87,145	104,765	(17,620)
Employee benefits	55,290	55,290	37,141	18,149
Services, supplies and other	253,637	253,637	251,385	2,252
	<u>396,072</u>	<u>396,072</u>	<u>393,291</u>	<u>2,781</u>
Information technology:				
Salaries and wages	51,905	51,905	59,240	(7,335)
Employee benefits	30,381	30,381	23,842	6,539
Services, supplies and other	67,556	67,556	73,629	(6,073)
	<u>149,842</u>	<u>149,842</u>	<u>156,711</u>	<u>(6,869)</u>
Total general government	<u>2,392,809</u>	<u>2,392,809</u>	<u>1,974,369</u>	<u>418,440</u>
Public works:				
Streets and public works:				
Salaries and wages	276,021	276,021	296,377	(20,356)
Employee benefits	168,197	168,197	128,482	39,715
Services, supplies and other	472,125	472,125	511,201	(39,076)
Capital outlay	1,467,122	1,467,122	117,574	1,349,548
Total public works	<u>2,383,465</u>	<u>2,383,465</u>	<u>1,053,634</u>	<u>1,329,831</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, 2015

Expenditures (continued)	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Judicial:				
Municipal court:				
Salaries and wages	\$ 140,018	\$ 140,018	\$ 146,098	\$ (6,080)
Employee benefits	85,593	85,593	67,833	17,760
Services, supplies and other	57,800	57,800	30,771	27,029
Total judicial	<u>283,411</u>	<u>283,411</u>	<u>244,702</u>	<u>38,709</u>
Health:				
Animal control:				
Salaries and wages	32,778	32,778	33,044	(266)
Employee benefits	24,391	24,391	15,385	9,006
Services, supplies and other	21,847	21,847	9,804	12,043
	<u>79,016</u>	<u>79,016</u>	<u>58,233</u>	<u>20,783</u>
Vector control:				
Salaries and wages	25,134	25,134	34,090	(8,956)
Employee benefits	14,857	14,857	9,833	5,024
Services, supplies and other	79,420	79,420	74,972	4,448
	<u>119,411</u>	<u>119,411</u>	<u>118,895</u>	<u>516</u>
Cemetery				
Services, supplies and other	19,600	19,600	13,913	5,687
	<u>19,600</u>	<u>19,600</u>	<u>13,913</u>	<u>5,687</u>
Total health	<u>218,027</u>	<u>218,027</u>	<u>191,041</u>	<u>26,986</u>
Culture and recreation:				
Parks:				
Salaries and wages	222,521	222,521	211,148	11,373
Employee benefits	119,905	119,905	75,173	44,732
Services, supplies and other	444,539	444,539	356,352	88,187
Total culture and recreation	<u>786,965</u>	<u>786,965</u>	<u>642,673</u>	<u>144,292</u>
Community development:				
Building:				
Salaries and wages	122,681	122,681	148,405	(25,724)
Employee benefits	73,318	73,318	47,297	26,021
Services, supplies and other	27,800	27,800	16,899	10,901
Capital outlay	2,997	2,997	3,427	(430)
	<u>226,796</u>	<u>226,796</u>	<u>216,028</u>	<u>10,768</u>
Planning:				
Salaries and wages	141,300	141,300	166,249	(24,949)
Employee benefits	79,051	79,051	62,525	16,526
Services, supplies and other	37,050	37,050	25,636	11,414
Capital outlay	10,645	10,645	1,000	9,645
	<u>268,046</u>	<u>268,046</u>	<u>255,410</u>	<u>12,636</u>
Total community development	<u>494,842</u>	<u>494,842</u>	<u>471,438</u>	<u>23,404</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, 2015

Expenditures (continued)	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
Debt service:				
Principal	\$ 280,000	\$ 280,000	\$ 280,000	\$ -
Interest	88,060	88,060	88,060	-
Total debt service	<u>368,060</u>	<u>368,060</u>	<u>368,060</u>	<u>-</u>
Total expenditures	<u>6,927,579</u>	<u>6,927,579</u>	<u>4,945,917</u>	<u>1,981,662</u>
Excess of revenues over (under) expenditures	<u>(405,811)</u>	<u>(405,811)</u>	<u>580,340</u>	<u>986,151</u>
Other financing sources (uses):				
Transfer from grants fund	<u>-</u>	<u>-</u>	<u>11,051</u>	<u>11,051</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,051</u>	<u>11,051</u>
Net change in fund balance	(405,811)	(405,811)	591,391	997,202
Fund balance, beginning of year	3,156,136	3,156,136	3,156,136	-
Prior period adjustment	<u>61,092</u>	<u>61,092</u>	<u>61,092</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,811,417</u></u>	<u><u>\$ 2,811,417</u></u>	<u><u>\$ 3,808,619</u></u>	<u><u>\$ 997,202</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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Intergovernmental revenue:				
Grant revenue	\$ 530,988	\$ 530,988	\$ 496,271	\$ (34,717)
Total revenues	530,988	530,988	496,271	(34,717)
Expenditures				
Current:				
Public works	-	-	-	-
Health	-	-	4,621	(4,621)
Culture and recreation	-	-	-	-
Community development	530,988	530,988	480,599	50,389
Total expenditures	530,988	530,988	485,220	45,768
Excess (deficiency) of revenues over (under) expenditures	-	-	11,051	11,051
Other financing sources (uses)				
Transfers out	-	-	(11,051)	(11,051)
Total other financing sources (uses)	-	-	(11,051)	(11,051)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

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, 2015

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Municipal Court Administration Fees	Municipal Court Facilities Fees	Transient Lodging Tax	Capital Projects	Capital Improvement	
Assets						
Cash and investments	\$ 30,658	\$ 59,277	\$ 736,188	\$ 560,110	\$ 44,714	\$ 1,430,947
Receivables:						
Interest	20	40	533	425	34	1,052
Other	1,638	-	32,360	-	-	33,998
Total assets	<u>\$ 32,316</u>	<u>\$ 59,317</u>	<u>\$ 769,081</u>	<u>\$ 560,535</u>	<u>\$ 44,748</u>	<u>\$ 1,465,997</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 2,216	\$ 9,245	\$ 43,976	\$ -	\$ -	\$ 55,437
Total liabilities	<u>2,216</u>	<u>9,245</u>	<u>43,976</u>	<u>-</u>	<u>-</u>	<u>55,437</u>
Fund Balances:						
Restricted for:						
Judicial	30,100	50,072	-	-	-	80,172
Capital projects	-	-	-	-	44,748	44,748
Committed:						
Capital projects	-	-	-	560,535	-	560,535
Convention Center	-	-	562,851	-	-	562,851
Assigned	-	-	162,254	-	-	162,254
Total fund balances	<u>30,100</u>	<u>50,072</u>	<u>725,105</u>	<u>560,535</u>	<u>44,748</u>	<u>1,410,560</u>
Total liabilities and fund balances	<u>\$ 32,316</u>	<u>\$ 59,317</u>	<u>\$ 769,081</u>	<u>\$ 560,535</u>	<u>\$ 44,748</u>	<u>\$ 1,465,997</u>

CITY OF FERNLEY, NEVADA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	<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>	
Revenues						
Taxes	\$ -	\$ -	\$ 256,075	\$ -	\$ -	\$ 256,075
Intergovernmental revenue	-	-	-	-	1,495	1,495
Fines and forfeitures	22,360	28,978	-	-	-	51,338
Investment earnings	32	66	893	735	58	1,784
Total revenues	<u>22,392</u>	<u>29,044</u>	<u>256,968</u>	<u>735</u>	<u>1,553</u>	<u>310,692</u>
Expenditures						
Current:						
Judicial	16,612	16,791	-	-	-	33,403
Culture and recreation	-	-	100,367	-	-	100,367
Capital outlay	-	3,450	72,785	6,581	-	82,816
Total expenditures	<u>16,612</u>	<u>20,241</u>	<u>173,152</u>	<u>6,581</u>	<u>-</u>	<u>216,586</u>
Excess (deficiency) of revenues over (under) expenditures	5,780	8,803	83,816	(5,846)	1,553	94,106
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 30,100</u>	<u>\$ 50,072</u>	<u>\$ 725,105</u>	<u>\$ 560,535</u>	<u>\$ 44,748</u>	<u>\$ 1,410,560</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Fines and forfeitures:			
Municipal administrative fees	\$ 11,540	\$ 22,360	\$ 10,820
Investment earnings	300	32	(268)
Total revenues	<u>11,840</u>	<u>22,392</u>	<u>10,552</u>
Expenditures			
Judicial:			
Service, supplies and other	<u>30,000</u>	<u>16,612</u>	<u>13,388</u>
Total expenditures	<u>30,000</u>	<u>16,612</u>	<u>13,388</u>
Excess (deficiency) of revenues over (under) expenditures	(18,160)	5,780	23,940
Fund balance, beginning of year	<u>24,320</u>	<u>24,320</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 6,160</u></u>	<u><u>\$ 30,100</u></u>	<u><u>\$ 23,940</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Fines and forfeitures:			
Municipal facilities fees	\$ 16,494	\$ 28,978	\$ 12,484
Interest earnings	300	66	(234)
Total revenues	<u>16,794</u>	<u>29,044</u>	<u>12,250</u>
Expenditures			
Judicial:			
Service, supplies and other	-	16,791	(16,791)
Capital outlay	<u>60,000</u>	<u>3,450</u>	<u>56,550</u>
Total expenditures	<u>60,000</u>	<u>20,241</u>	<u>39,759</u>
Excess (deficiency) of revenues over (under) expenditures	(43,206)	8,803	52,009
Fund balance, beginning of year	<u>41,269</u>	<u>41,269</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (1,937)</u></u>	<u><u>\$ 50,072</u></u>	<u><u>\$ 52,009</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Taxes:			
Transient lodging tax	\$ 242,080	\$ 256,075	\$ 13,995
Interest earnings	232	893	661
	<u>242,312</u>	<u>256,968</u>	<u>14,656</u>
Total revenues			
	<u>242,312</u>	<u>256,968</u>	<u>14,656</u>
Expenditures			
Culture and recreation:			
Services, supplies and other	121,650	100,367	21,283
Capital outlay	77,000	72,785	4,215
	<u>198,650</u>	<u>173,152</u>	<u>25,498</u>
Total expenditures			
	<u>198,650</u>	<u>173,152</u>	<u>25,498</u>
Excess of revenues over (under) expenditures	43,662	83,816	40,154
Fund balance, beginning of year	<u>641,289</u>	<u>641,289</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 684,951</u></u>	<u><u>\$ 725,105</u></u>	<u><u>\$ 40,154</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Interest earnings	\$ 1,200	\$ 735	\$ (465)
Total revenues	<u>1,200</u>	<u>735</u>	<u>(465)</u>
Expenditures			
Capital outlay	<u>205,000</u>	<u>6,581</u>	<u>198,419</u>
Total expenditures	<u>205,000</u>	<u>6,581</u>	<u>198,419</u>
Excess (deficiency) of revenues over (under) expenditures	(203,800)	(5,846)	197,954
Fund balance, beginning of year	<u>566,381</u>	<u>566,381</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 362,581</u></u>	<u><u>\$ 560,535</u></u>	<u><u>\$ 197,954</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, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues			
Intergovernmental revenue	\$ 2,000	\$ 1,495	\$ (505)
Interest earnings	40	58	18
Total revenues	<u>2,040</u>	<u>1,553</u>	<u>(487)</u>
Expenditures			
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,040	1,553	(487)
Fund balance, beginning of year	<u>43,195</u>	<u>43,195</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 45,235</u></u>	<u><u>\$ 44,748</u></u>	<u><u>\$ (487)</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, 2015

	Final Budget	Actual	Variance with Final Budget
Operating revenues			
Service fees	\$ 5,316,511	\$ 4,822,461	\$ (494,050)
Other revenues	197,000	207,929	10,929
Total operating revenues	<u>5,513,511</u>	<u>5,030,390</u>	<u>(483,121)</u>
Operating expenses			
Salaries	899,429	936,082	(36,653)
Employee benefits	560,452	390,932	169,520
Service, supplies and other	2,007,847	1,921,545	86,302
Depreciation and amortization	<u>3,231,000</u>	<u>3,167,944</u>	<u>63,056</u>
Total operating expenses	<u>6,698,728</u>	<u>6,416,503</u>	<u>282,225</u>
Operating income (loss)	<u>(1,185,217)</u>	<u>(1,386,113)</u>	<u>(200,896)</u>
Nonoperating revenues (expenses)			
Bond debt fee revenue	3,372,189	3,378,183	5,994
Connection fee revenue	45,000	446,296	401,296
Interest income	5,000	8,541	3,541
Other income	5,000	205,291	200,291
Interest expense	<u>(3,086,110)</u>	<u>(2,903,107)</u>	<u>183,003</u>
Total nonoperating revenues (expenses)	<u>341,079</u>	<u>1,135,204</u>	<u>794,125</u>
Income (loss) before contributions and transfers	(844,138)	(250,909)	593,229
Capital contributions	<u>-</u>	<u>1,544,753</u>	<u>1,544,753</u>
Change in net position	(844,138)	1,293,844	2,137,982
Net position, beginning of year	69,998,868	69,998,868	-
Restatement adjustment	(1,495,501)	(1,495,501)	-
Net position, end of year	<u><u>\$ 67,659,229</u></u>	<u><u>\$ 69,797,211</u></u>	<u><u>\$ 2,137,982</u></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, 2015

	Final Budget	Actual	Variance with Final Budget
Operating revenues			
Service fees	\$ 1,984,264	\$ 2,012,025	\$ 27,761
Other revenues	-	261	261
Total operating revenues	<u>1,984,264</u>	<u>2,012,286</u>	<u>28,022</u>
Operating expenses			
Salaries	434,157	438,744	(4,587)
Employee benefits	269,483	179,594	89,889
Service, supplies and other	779,895	562,096	217,799
Depreciation and amortization	<u>1,018,000</u>	<u>984,995</u>	<u>33,005</u>
Total operating expenses	<u>2,501,535</u>	<u>2,165,429</u>	<u>336,106</u>
Operating income (loss)	<u>(517,271)</u>	<u>(153,143)</u>	<u>364,128</u>
Nonoperating revenues (expenses)			
Connection fee revenue	58,000	547,852	489,852
Interest income	9,000	11,820	2,820
Interest expense	<u>(328,359)</u>	<u>(307,369)</u>	<u>20,990</u>
Total nonoperating revenues (expenses)	<u>(261,359)</u>	<u>252,303</u>	<u>513,662</u>
Income (loss) before contributions and transfers	(778,630)	99,160	877,790
Grant revenue	<u>-</u>	<u>10,974</u>	<u>10,974</u>
Change in net position	(778,630)	110,134	888,764
Net position, beginning of year	28,590,458	28,590,458	-
Restatement adjustment	(726,548)	(726,548)	-
Net position, end of year	<u><u>\$ 27,085,280</u></u>	<u><u>\$ 27,974,044</u></u>	<u><u>\$ 888,764</u></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, 2015**

	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
Assets				
Current assets:				
Cash and investments	\$ 6,565	\$ 176,631	\$ (152,723)	\$ 30,473
Total assets	<u>\$ 6,565</u>	<u>\$ 176,631</u>	<u>\$ (152,723)</u>	<u>\$ 30,473</u>
Liabilities				
Current liabilities:				
Bail bond deposits held for others	\$ 6,565	\$ 176,631	\$ (152,723)	\$ 30,473
Total liabilities	<u>\$ 6,565</u>	<u>\$ 176,631</u>	<u>\$ (152,723)</u>	<u>\$ 30,473</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.

Contents	Schedule #
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

	FISCAL YEAR ENDED JUNE 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets*	\$ 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	\$ 37,695,679
Restricted	-	-	362,289	391,600	363,602	1,886,533	568,412	579,648	451,356	495,088
Unrestricted	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	937,118
Total Governmental Activities Net Position	<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>	<u>\$ 39,127,885</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets*	\$ 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	\$ 83,801,681
Restricted	579,560	-	-	-	-	-	-	-	588,478	589,005
Unrestricted	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	13,380,569
Total Business-type Activities Net Position	<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>	<u>\$ 97,771,255</u>
PRIMARY GOVERNMENT										
Net investment in capital assets*	\$ 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	\$ 121,497,360
Restricted	579,560	-	362,289	391,600	363,602	1,886,533	568,412	579,648	1,039,834	1,084,093
Unrestricted	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	14,317,687
Total Primary Government Net Position	<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>	<u>\$ 136,899,140</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,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES										
Governmental Activities:										
General government	\$ 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	\$ 2,283,841
Judicial	170,479	194,353	252,189	243,889	265,515	204,071	213,314	215,504	238,892	276,019
Culture and recreation	646,259	838,674	689,281	685,706	622,998	734,553	743,911	1,126,357	1,384,571	788,165
Community development	875,056	848,010	1,977,586	811,701	1,247,018	2,817,551	2,673,503	1,591,456	849,079	937,675
Public works	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	2,001,841
Health	263,919	295,413	280,743	252,320	262,865	193,303	207,672	177,080	192,690	194,156
Debt Service:										
Interest and fiscal charges	224,500	221,032	214,326	206,092	198,144	189,836	194,402	87,015	92,415	88,060
Total Governmental Activities Expenses	<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>	<u>6,569,757</u>
Business-type Activities:										
Water	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	9,319,610
Sewer	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	2,472,798
Other	700	9,340	212,652	-	-	-	-	-	-	-
Total Business-type Activities Expenses	<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>	<u>11,792,408</u>
Total Primary Government Expenses	<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>	<u>\$ 18,362,165</u>

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

	FISCAL YEAR ENDED JUNE 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PROGRAM REVENUES										
Governmental Activities:										
Charges for Services:										
General government	\$ 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	\$ 1,837,966
Judicial	196,249	89,248	162,416	161,819	196,886	197,395	169,630	95,834	155,846	268,742
Culture and recreation	8,150	48,355	1,600	200	25	525	105,925	950	14,722	15,410
Community development	1,123,508	679,608	509,440	258,801	232,719	149,647	-	115,130	-	-
Public works	40,071	29,754	23,021	65,129	116,619	-	2,968	-	17,019	41,363
Health	2,341	4,318	4,650	3,819	3,296	3,578	466,388	4,157	-	-
Operating Grants and Contributions	348,627	60,000	60,000	60,383	61,500	133,460	4,925,916	113,124	616,222	933,829
Capital Grants and Contributions	7,531,080	6,052,749	4,869,410	5,613,270	1,538,400	3,933,102	-	1,385,242	1,008,428	404,435
Total Governmental Activities Program Revenues	<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>	<u>3,501,745</u>
Business-type Activities:										
Charges for Services										
Water	2,201,916	2,306,193	3,273,625	3,833,095	4,774,366	4,580,081	6,325,657	8,277,063	5,174,551	5,681,977
Sewer	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	2,560,138
Other	-	-	1,055	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	424,671	562,372	441,742	4,893	97,966	-	-	-
Capital Grants and Contributions	18,729,430	19,015,856	4,579,348	7,146,143	908,392	1,897,368	8,134	33,044	501,543	1,555,727
Total Business-type Activities Revenues	<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>8,335,828</u>	<u>10,239,900</u>	<u>7,657,725</u>	<u>9,797,842</u>
Total Primary Government Revenues	<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>\$ 15,281,644</u>	<u>\$ 13,309,368</u>	<u>\$ 11,340,559</u>	<u>\$ 13,299,587</u>
NET (EXPENSE)/REVENUE										
Governmental Activities	\$ 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)	\$ (3,068,012)
Business-type Activities	18,663,266	18,196,393	4,730,076	6,662,977	(4,054,017)	(3,448,765)	(3,387,874)	(1,441,895)	(4,158,296)	(1,994,566)
Total Primary Government Net (Expense)/Revenue	<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>\$ (3,741,053)</u>	<u>\$ (5,093,015)</u>	<u>\$ (7,427,019)</u>	<u>\$ (5,062,578)</u>

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

	FISCAL YEAR ENDED JUNE 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
Governmental Activities:										
Taxes:										
Property	\$ 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	\$ 2,199,262
Consolidated	189,158	188,128	197,040	202,188	170,186	130,215	131,372	132,962	136,402	143,389
Fuel	227,691	259,603	304,718	309,896	294,645	282,617	271,449	292,483	306,330	344,360
Unrestricted gaming licenses	97,121	98,753	96,021	92,211	96,598	99,439	99,607	104,761	106,132	104,513
Unrestricted interest income	329,341	361,301	175,866	41,085	26,847	13,921	5,066	12,334	10,032	6,485
Miscellaneous revenue	389,619	89,378	424,649	56,179	46,238	74,225	108,617	211,636	14,000	14,000
Total Governmental Activities	<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>	<u>2,812,009</u>
Business-type Activities:										
Unrestricted interest income	702,781	1,511,286	1,126,258	477,258	261,988	68,217	19,326	39,272	32,634	20,361
Miscellaneous revenue	59,441	46,287	384,555	569,452	244,232	154,734	250,116	340,893	3,326,391	3,378,183
Total Business-type Activities Revenues	<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>269,442</u>	<u>380,165</u>	<u>3,359,025</u>	<u>3,398,544</u>
Total Primary Government Revenues	<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>\$ 2,736,524</u>	<u>\$ 3,058,943</u>	<u>\$ 6,077,913</u>	<u>\$ 6,210,553</u>
CHANGE IN NET POSITION										
Governmental Activities	\$ 8,376,165	\$ 5,126,442	\$ 3,164,365	\$ 3,885,359	\$ (721,425)	\$ 190,443	\$ 2,113,903	\$ (972,342)	\$ (549,835)	\$ (256,003)
Business-type Activities	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)	1,403,978
Total Primary Government Change in Net Position	<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>	<u>\$ 1,147,975</u>

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

	FISCAL YEAR ENDED JUNE 30,									
	2006	2007	2008	2009	2010	2011*	2012	2013	2014	2015
General fund:										
Reserved	\$ 6,239	\$ 6,709	\$ 366,424	\$ 394,251	\$ 332,238	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	938,757	582,237	279,443	294,617	482,078	-	-	-	-	-
Nonspendable	-	-	-	-	-	22,375	-	-	25,250	10,812
Restricted	-	-	-	-	-	342,400	342,123	342,123	342,572	370,168
Committed	-	-	-	-	-	-	-	-	1,541,178	2,982,946
Assigned	-	-	-	-	-	5,582	1,449,207	1,449,207	405,310	47,349
Unassigned	-	-	-	-	-	1,223,672	-	617,104	841,826	397,344
Total general fund	<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>	<u>\$ 3,808,619</u>
All other governmental funds										
Reserved - Transient Lodging Tax Fund	\$ -	\$ -	\$ -	\$ -	\$ 31,364	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:										
Special revenue fund	1,398,315	1,568,588	971,544	787,928	1,118,925	-	-	-	-	-
Capital projects fund	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	124,920
Committed	-	-	-	-	-	-	1,200,065	1,210,436	1,073,980	1,123,386
Assigned	-	-	-	-	-	104,988	148,181	164,333	133,690	162,254
Total all other governmental funds	<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>	<u>\$ 1,410,560</u>

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

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

	FISCAL YEAR ENDED JUNE 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
REVENUES										
Taxes	\$ 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	\$ 2,487,401
Licenses and permits	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	1,798,242
Intergovernmental	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	1,556,833
Fines and forfeits	228,424	234,353	207,465	161,820	222,566	197,397	169,630	95,834	155,845	268,742
Miscellaneous	794,352	581,833	610,883	138,018	88,765	95,752	112,246	127,651	173,738	222,002
Developer fees	-	-	-	-	-	111,000	-	-	-	-
Total revenues	<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>	<u>6,333,220</u>
EXPENDITURES										
General government	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	1,974,369
Judicial	169,163	194,518	251,829	244,714	257,983	201,062	213,214	215,296	235,890	278,105
Culture and recreation	508,797	647,542	522,392	546,492	482,871	612,723	617,960	745,405	909,293	756,953
Community development	810,965	834,503	1,226,149	787,056	1,332,123	2,796,292	5,309,789	1,482,004	1,035,564	952,037
Public works	376,571	515,394	428,988	457,243	448,224	-	-	1,826	1,156,200	1,053,634
Health	256,738	275,905	262,526	232,843	242,279	176,488	200,427	176,523	190,276	181,749
Debt service:										
Principal	-	158,000	165,000	173,000	181,000	189,000	4,134,000	84,000	86,000	280,000
Interest	94,789	221,032	214,326	206,092	198,144	189,836	194,402	87,015	92,415	88,060
Bond issuance cost	-	-	-	-	-	-	61,727	-	-	-
Capital outlay	3,684,115	8,097,529	3,143,509	1,129,385	457,600	122,960	956,329	304,055	316,091	82,816
Total expenditures	<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>	<u>5,647,723</u>
Excess (deficiency) of revenues over expenditures	(304,333)	(5,882,196)	(1,776,754)	(156,136)	419,870	193,128	(3,887,285)	262,592	429,685	685,497
OTHER FINANCING SOURCES (USES)										
Transfer out	(1,050,000)	(711,712)	(20,000)	(26,000)	-	60,000	(205)	-	(105,507)	(11,051)
Transfer in	1,050,000	711,712	20,000	26,000	-	(60,000)	205	-	105,507	11,051
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>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>	<u>-</u>
Net change in fund balance	<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>	<u>\$ 685,497</u>
Debt service as a percentage of noncapital expenditures	3.3%	10.9%	9.6%	10.7%	9.1%	7.0%	55.1%	3.5%	3.3%	7.1%

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

Fiscal Year	Assessed Value			Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
	Real Property	Personal Property	Total		
2006	-	-	\$ 303,180,006	\$ 866,228,589	35.0
2007	-	-	\$ 377,743,200	\$ 1,079,266,286	35.0
2008	-	-	511,154,623	1,460,441,780	35.0
2009	-	-	679,959,918	1,942,742,623	35.0
2010	-	-	755,529,070	2,158,654,486	35.0
2011	-	-	632,953,139	1,808,437,540	35.0
2012	-	-	448,105,998	1,280,302,851	35.0
2013*	-	-	440,455,995	1,258,445,700	35.0
2014	405,137,703	39,114,259	444,251,962	1,269,291,320	35.0
2015	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. Personal Property amounts provided by Lyon County Assessor's Office.

**CITY OF FERNLEY, NEVADA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS**

Fiscal Year	City of Fernley	State of Nevada	School District	Lyon County	Special Districts	Total
2006	0.1528	0.1700	1.3367	0.8644	0.3726	2.8965
2007	0.1528	0.1700	1.3367	0.8644	0.3736	2.8975
2008	0.3481	0.1700	1.3367	0.8644	0.3772	3.0964
2009	0.3505	0.1700	1.3367	0.8644	0.3772	3.0988
2010	0.3515	0.1700	1.3367	0.8644	0.3782	3.1008
2011	0.3510	0.1700	1.3367	0.8644	0.3788	3.1009
2012	0.3510	0.1700	1.3367	0.8644	0.4395	3.1616
2013	0.5469	0.1700	1.3367	0.8644	0.4803	3.3983
2014	0.6169	0.1700	1.3367	0.9287	0.4974	3.5497
2015	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 Property Tax Levy

Amount of 2015 levy:	\$2,310,492
Collections as of June 30, 2015:	\$2,217,326
Collections as a percentage of the levy:	95.9677%

**CITY OF FERNLEY, NEVADA
PRINCIPAL PROPERTY OWNERS
JUNE 30, 2015**

Taxpayer	Product/Service	Taxable		Approximate Percentage of Taxable Assessed Valuation
		Estimated Appraised Value (1)	Taxable Assessed Value	
NV Energy	Utility	\$ 173,009,403	\$ 60,553,291	5.07%
Gradient Resources (Patua Project LLC)	Utility	124,044,286	43,415,500	3.64%
Southwest Gas Corp	Utility	46,023,603	16,108,261	1.35%
Quebecor World Nevada	Manufacturer	31,470,897	11,014,814	0.92%
Trex Company Inc.	Manufacturer	27,444,620	9,605,617	0.80%
1600 East Newlands Dr., LLC	Developer	25,013,177	8,754,612	0.73%
Sherwin-Williams Acceptance Corp	Manufacturer	23,991,806	8,397,132	0.70%
Peri & Peri/Desert Pearl Farms	Agriculture	23,229,571	8,130,350	0.68%
Nevada Cemeent Co.	Manufacturer	22,107,274	7,737,546	0.68%
Sonterra Development Co. Inc.	Developer	21,998,057	7,699,320	0.65%
	Totals	<u>\$ 518,332,694</u>	<u>\$ 181,416,443</u>	<u>15.220%</u>

Source: Lyon County Assessor's Office

Note: (1) Taxable assessed value is 35% of estimated appraised value.

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

	FISCAL YEAR ENDED JUNE 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
WATER UTILITY										
Number of Customers	6,634	6,816	7,170	7,371	7,061	7,103	6,530	6,466	6,510	6,769
Annual Average Day Demand per customer	750	750	747	553	511	456	355	501	509	465
Gallons of water used (in thousands) *	1,816,058	1,865,880	1,954,754	1,488,674	1,317,721	1,183,382	846,533	1,186,009	1,209,731	1,148,351
Direct rate per 1,000 gallons	\$ 0.95	\$ 0.95	\$ 1.11	\$ 1.50	\$ 2.02	\$ 2.02	\$ 2.08	\$ 2.08	\$ 2.15	\$ 2.15

Source: City of Fernley

* Includes residential and commercial customers.

SCHEDULE 9

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

Employer	June 30,			
	2015		2006*	
	User Fees	Rank	User Fees	Rank
City of Fernley	\$ 182,157	1	\$ -	-
Lyon County School District	153,510	2	-	-
Trex Manufacturing Company	109,711	3	-	-
World Color Fernley	61,905	4	-	-
Hollywood Investments	58,341	5	-	-
Veteran's Cemetery	57,860	6	-	-
Amazon.com	49,797	7	-	-
Pilot Travel Centers, LLC	46,407	8	-	-
Sherwin Williams	40,775	9	-	-
Blue Beacon	36,434	10	-	-

* Statistical information for 2006 is unavailable.

Source: City of Fernley

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Intallment Purchase Agreement	Water Bonds	Sewer Bonds				
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	
2015	3,560,000	65,933,524	7,071,476	76,565,000	12.95%	4,013	

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 101 for personal income and population data.

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

Fiscal Year	Intallment Purchase Agreement	Business Type Activities	Total	Percentage of Actual Property Value (1)	Per Capita (2)
2006	5,000,000	1,560,282	6,560,282	0.12%	401
2007	4,842,000	51,282,780	56,124,780	0.61%	2,977
2008	4,677,000	83,595,329	88,272,329	3.84%	4,507
2009	4,504,000	82,472,729	86,976,729	4.54%	4,436
2010	4,323,000	80,688,767	85,011,767	4.03%	4,491
2011	4,134,000	78,951,240	83,085,240	4.70%	4,290
2012	4,010,000	77,110,000	81,120,000	6.49%	4,293
2013	3,926,000	75,435,000	79,361,000	6.45%	4,214
2014	3,840,000	73,690,000	77,530,000	6.25%	4,083
2015	3,560,000	73,005,000	76,565,000	4.63%	4,013

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, 2015**

	Intallment Purchase Agreement	Presently Self- Supporting General Obligation Debt	Net Debt Outstanding	% Applicable	Applicable Net Debt
Direct:					
City of Fernley	\$ 3,560,000	\$ -	\$ 3,560,000	100.00%	<u>\$ 3,560,000</u>
Overlapping:					
State of Nevada	3,365,518,000	-	3,365,518,000	0.44%	14,808,279
Lyon County	10,319,077	992,064	11,311,141	36%	4,072,010.76
Lyon County School District	65,620,000	-	65,620,000	36%	<u>\$ 23,623,200</u>
			Total Overlapping Debt		<u>42,503,490</u>
			Total Direct and Overlapping Debt		<u><u>\$ 46,063,490</u></u>

The City is only responsible for its proportional share of the overlapping debt. The proportional share is calculated as a percentage of population multiplied by the net outstanding debt of each agency. The proportional share plus the City's direct debt together make up the City's overall net debt. The municipality's overall net debt is an important factor in its ability to obtain future debt financing.

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, 2015**

Estimated Assessed Value	\$	578,659,270
Debt Limit - 30 Percent of Total Assessed Value		173,597,781
Total Amount of Debt Applicable to Debt limit		73,005,000
Legal Debt Margin	\$	100,592,781

General Obligation Debt Limit

NRS 350.013 1.(c)(2) A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit;

The City is limited by State statutes as to the amount of general obligation debt it can have outstanding. The limit is equal to 30 percent of the City's total assessed valuation. As of June 30, 2015, the City has no general obligation debt outstanding and none proposed. It has \$73,005,000 of general obligation revenue supported debt outstanding. Based on the fiscal year 2015 assessed value, the City's available general obligation debt limit is approximately \$100,592,781.

Other factors also limit the amount of debt the City can issue. These factors include, but are not limited to, voter approval, overlapping tax rates, available revenues, market conditions and types of projects to be funded.

**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			
				Principal	Interest	Total	Coverage
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%
2015	7,042,676	4,428,993	2,613,683	2,100,000	3,502,529	5,602,529	47%

Note: (1) Total operating expenses exclusive of depreciation

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

Fiscal Year	Population (1)	Total Personal Income (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
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%
2015	19,077	591,253,461	30,993	9.80%

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,**

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
Amazon.com NVDC, Inc.	1000-1499	1	8.61%	700-799	2	5.67%
Lyon County School District	1000-1499	2	8.61%	1000-1499	1	8.44%
Lyon County	400-499	3	3.45%	500-599	3	4.08%
MSC Industrial	300-399	4	2.58%	200-299	5	1.69%
Wal-Mart	200-299	5	1.79%	-	-	-
Production Pattern & Foundry	100-199	6	0.86%	-	-	-
South Lyon Medical Center	100-199	7	0.86%	100-199	6	1.54%
Nevada Automotive Testing Center	100-199	8	0.86%	-	-	-
Metallic Art Company	100-199	9	0.86%	-	-	-
Lowes HIW INC	100-199	10	0.86%	-	-	-

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>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>	<u>2015</u>
FUNCTION/PROGRAM										
General government	12.1	18.6	22.3	9.3	13.0	16.0	14.7	13.8	13.1	13.6
Judicial	2.0	1.9	1.9	3.0	2.4	2.4	2.4	3.0	3.0	3.0
Public works	2.0	1.5	1.8	2.5	5.5	10.0	4.3	4.8	4.8	4.8
Culture and recreation	7.5	10.9	11.5	4.8	6.0	4.0	5.3	5.6	4.6	4.6
Community development	15.5	16.0	14.0	8.1	8.0	6.0	5.0	4.9	5.0	5.0
Health	3.9	2.9	2.5	3.0	2.0	2.0	2.0	2.0	1.5	1.5
Water	8.6	6.8	8.1	15.3	16.5	13.0	17.0	16.1	16.4	17.4
Sewer	9.1	6.8	8.1	9.2	4.5	4.0	6.7	6.6	6.6	7.6
Total	<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>	<u>57.5</u>

Source: City of Fernley

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

FUNCTION/PROGRAM	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Judicial:										
Municipal Court Cases Filed:										
Drug	68	35	28	25	39	20	12	5	9	-
Driving under influence	91	81	83	68	79	59	16	12	22	57
Domestic violence	45	5	3	1	3	-	-	-	9	77
Traffic	2,530	1,829	1,668	1,260	2,206	2,002	990	524	2,129	3,463
Other	-	-	3	3	3	-	16	14	262	373
Public Safety:										
Calls for Service:										
Criminal	3,382	3,866	3,633	2,791	2,679	2,407	3,766	3,891	4,415	845
Non-criminal	1,028	1,180	1,129	1,889	2,144	2,523	3,332	3,184	3,745	4,165
Domestic violence	678	866	889	463	414	352	709	784	776	397
Follow-up	1,630	1,439	1,624	1,599	1,920	2,497	2,176	2,107	3,384	1,167
Traffic-stops	1,026	1,450	1,639	2,067	1,999	1,626	1,564	1,224	1,490	1,862
Civil papers	2,232	2,136	2,601	2,359	2,568	2,418	1,895	1,701	1,323	125
Animal	102	156	204	337	377	252	318	392	451	300
Death/Coroner	42	33	45	42	29	41	72	102	88	-
Public service	1,250	927	1,191	1,111	1,195	1,337	1,469	2,014	2,807	1,022
Assist other agencies	732	625	1,112	1,024	851	791	1,062	932	938	744
Alarms	346	383	377	517	494	492	729	802	934	500
Accident	116	140	103	130	117	104	147	167	176	131
Private property accident	48	73	81	65	52	57	71	123	141	-
Mental health	8	12	11	4	5	4	1	2	7	120
Other	-	-	-	-	-	-	-	-	0	639
Administrative	2,304	2,761	3,113	3,204	4,715	7,911	6,888	9,924	23,029	-
Total Calls for Service	15,040	16,187	17,855	17,732	19,676	22,916	24,346	27,516	43,880	12,017
Total Charges										
Felon	90	123	76	95	122	133	112	114	109	308
Gross misdemeanor	16	17	27	44	34	27	40	14	16	72
Misdemeanor	112	143	146	121	160	135	113	142	152	742
Driving under influence	48	84	90	76	111	57	34	27	30	-
Domestic violence	52	71	53	73	61	67	45	45	38	-
Total Arrests	318	438	392	409	488	419	344	342	345	763
Citations:										
Traffic	274	593	464	557	535	409	274	210	314	-
Non-traffic	162	209	234	328	339	287	239	280	244	-
Total Citations	436	802	698	885	874	696	513	490	558	-
Water Utility:										
Customer count	6,634	6,816	6,896	6,876	6,693	6,736	7,925	7,782	7,660	7,678
New connections	551	182	80	15	12	12	5	2	12	18
Sewer Utility:										
Customer count	6,600	6,782	6,862	6,312	6,140	6,174	8,188	6,263	6,330	6,348
New connections	551	182	80	14	12	7	2	1	10	18
Building:										
Number of permits issued	897	500	352	221	217	228	201	230	237	256
Number of inspection	13,302	5,838	3,107	1,894	929	803	863	494	873	1,059
Planning:										
Number of applications processed	238	223	150	93	52	32	32	30	23	25

* In 2015 the Lyon County Sheriff's Office changed the way they tracked statistical information. Some categories reported in the past are no longer tracked.

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

FUNCTION/PROGRAM	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Streets:										
Public Road Mileage	106.64	116.96	125.36	126.79	126.79	126.79	126.79	126.79	126.79	126.79
Parks and Recreation:										
Parks and Open Space Acreage	150	155	155	155	155	155	155	155	155	155
Developed Parks	11	11	11	11	11	11	11	11	12	12
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Rodeo Arena	2	2	2	2	2	2	2	2	2	2
Playing Fields	10	19	19	19	19	19	19	19	19	19
Pavilions	2	2	3	3	7	7	7	7	7	7
Skate Park	1	1	1	1	1	1	1	1	1	1
Water Utility:										
Water lines (miles)	105.0	115.2	124.7	148.9	152.1	152.1	152.1	152.1	152.1	152.1
Fire Hydrants	1,000	1,033	1,083	1,102	1,102	1,102	1,102	1,127	1,127	1,127
Sewer Utility:										
Sanitary Sewer Lines (miles)	90.0	93.6	101.3	124.2	124.2	124.2	124.2	124.9	124.2	124.2
Sanitary Sewer Manhole Count	1,510	1,600	2,126	2,227	2,227	2,227	2,227	2,249	2,227	2,227

Source: City of Fernley

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COMPLIANCE SECTION

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**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 16, 2015.

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
November 16, 2015

**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, 2015. 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, 2015.

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
November 16, 2015

CITY OF FERNLEY, NEVADA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditor's Results

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, 2015

Section II - Financial Statement Findings

Material Weaknesses:

None noted.

Significant Deficiencies:

None noted.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV - Summary Schedule of Prior Audit Findings

No significant matters were noted.

CITY OF FERNLEY, NEVADA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

FEDERAL-GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA #	PROJECT/PASS- THROUGH CFDA NUMBER	Federal Expenditures
Department of the Interior:			
Direct Programs:			
Bureau of Reclamation			
Providing Water to At-Risk Natural desert Terminal Lakes (Joint)	15.508	R09AP20010	\$ 287,475
Providing Water to At-Risk Natural desert Terminal Lakes (Legal)	15.508	R12AP20013	<u>30,237</u>
			317,712
Passed through National Fish and Wildlife Foundation			
Providing Water to At-Risk Natural desert Terminal Lakes (Aquifer Storage and Recovery Program)	15.508	0204.14.043522	<u>48,093</u>
Total Department of the Interior			<u>365,805</u>
Department of Transportation			
Passed through the State of Nevada:			
Nevada Department of Transportation			
Highway Planning and Construction (Safe Routes to School)	20.205	P511-13-063	<u>23,615</u>
Department of Housing and Urban Development:			
Passed through the State of Nevada:			
Governor's Office of Economic Development CDBG - State Administered CDBG Cluster:			
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (Rural Continuum of Care)	14.228	13/PCB/20	4,621
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (SBDC Business Counseling)	14.228	13/ED/19	6,606
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (SBDC Business Counseling)	14.228	14/ED/20	17,372
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (WNDD Revolving Loan)	14.228	13/ED/21	83,350
Community Development Block Grants/State's Programs and Non-Entitlement Grants in Hawaii (WNDD Revolving Loan)	14.228	14/ED/21	<u>43,000</u>
Total Department of Housing and Urban Development			<u>154,949</u>
Total Expenditures of Federal Awards			<u>\$ 544,369</u>

CITY OF FERNLEY, NEVADA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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:

Governmental-Type Activities:	
Grants Fund:	
Public Works	\$ 23,615
Health	4,621
Community Support and Development	468,041
	<u>496,277</u>
Business-Type Activities:	
Water Enterprise Fund:	<u>48,093</u>
Total	<u>\$ 544,369</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)

**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, 2015 and have issued our report thereon dated November 16, 2015. 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, 2015, 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, 2015.

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
November 16, 2015

CITY OF FERNLEY, NEVADA

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

Flat fixed fees:		
Business license revenue for the year ended June 30, 2014	\$	180,535
Adjustment to base:		
Base year:		
1. Percentage decrease in population of the local government	0.06%	
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>0.8%</u>	
Adjusted base at June 30, 2014	0.86%	182,088
Actual revenue for the year ended June 30, 2015		<u>193,163</u>
Actual amount over (under) allowable amount		<u>\$ 11,075</u>