

**City of Carson City
Request for Board Action**

Date Submitted: 12/9/08

Agenda Date Requested: 12/18/08

Time Requested: 20 minutes

To: Mayor and Supervisors

From: Nick Providenti, Finance Director

Subject Title: Action to accept the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

Staff Summary: City staff and representatives from Kafoury, Armstrong and Co. will be making a presentation of the City's financial status as well as recommendations for improvement.

Type of Action Requested: (check one)

Resolution

Ordinance

Formal Action/Motion

Other (Specify)

Does this action require a Business Impact Statement: () Yes (X) No

Recommended Board Action: I move to accept the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008.

Explanation of Recommended Board Action: The Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008 has been completed by the Finance Department and audited by the City's independent auditors, Kafoury, Armstrong and Co. City staff and representatives from Kafoury, Armstrong and Co. will be making a presentation of the City's financial status as well as recommendations for improvement. The Finance Department believes this report continues to meet the Certificate of Achievement in Excellence in Financial Reporting from the Government Finance Officers Association.

Applicable Statute, Code, Policy, Rule or Regulation: Nevada Revised Statute 354.624

Fiscal Impact: n/a

Explanation of Impact: n/a

Funding Source: n/a

Supporting Material: Carson City Comprehensive Financial Report for the Fiscal Year Ended June 30, 2008.

Prepared By: Nancy Paulson

Reviewed By:

Handwritten signature of Department Head

(Department Head)

Date: 12-9-08

: _____
(City Manager)

Date: 12/9/08

: *Melanie B. ...*

(District Attorney)

Date: 12-9-08

: *Handwritten signature of Finance Director*

(Finance Director)

Date: 12-9-08

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)



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

Serving our clients since 1941.

November 26, 2008

To the Honorable Mayor, Members of the
Board of Supervisors and Audit Committee of
Carson City, Nevada

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City, Nevada (City) for the year ended June 30, 2008, and have issued our report thereon dated November 26, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated February 8, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose

ELKO

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YERINGTON

To the Honorable Mayor, Members of the
Board of Supervisors and Audit Committee of
Carson City, Nevada
November 26, 2008
Page 2

of expressing an opinion on the City's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting with the Audit Committee about planning matters on July 8, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were useful lives of assets determined for depreciation and valuations of developer dedicated and other donated capital assets.

Management's estimate of the useful lives of the City's capital assets is based upon the City's historical usage of its capital assets and consistency with lives utilized by other local governments. Management's estimates of the value of the City's developer dedicated and other donated capital assets is typically based upon the cost incurred by the donor for the capital asset. We evaluated the key factors and assumptions used to develop these sensitive estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Honorable Mayor, Members of the
Board of Supervisors and Audit Committee of
Carson City, Nevada
November 26, 2008
Page 3

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's reports. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 26, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Supervisors, the Audit Committee and management of Carson City, Nevada, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Kafoury, Armstrong & Co.

Carson City
Unadjusted Audit Differences
6/30/2008

Description	PJE #	Fund	Ending			Beginning Net Assets		
			Assets	Liabilities	Net Assets			
Gaming License Revenue	2	General	\$ -	\$ -	\$ -	\$ 108,295	\$ -	\$ (108,295)
Prior Year			-	-	-	-	-	-
TOTAL			\$ -	\$ -	\$ -	\$ 108,295	\$ -	\$ (108,295)
FS CAPTION			\$ 254,286,799	\$ 97,229,260	\$ 157,057,539	\$ 20,794,945	\$ 64,190,624	\$ 76,191,396
PERCENTAGE			0.00%	0.00%	0.00%	0.00%	0.17%	0.00%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Governmental Activities taken as a whole. Adjustment deemed not necessary.

Description	PJE #	Fund	Ending			Beginning Net Assets		
			Assets	Liabilities	Net Assets			
Bond Costs and Amortization	1	Various	\$ (209,018)	\$ -	\$ (209,018)	\$ -	\$ (50,670)	\$ (259,688)
Prior Year			(25,390)	-	(25,390)	-	-	(25,390)
TOTAL			\$ (234,408)	\$ -	\$ (234,408)	\$ -	\$ (50,670)	\$ (285,078)
FS CAPTION			\$ 159,889,857	\$ 57,570,014	\$ 102,319,843	\$ 25,532,433	\$ (1,941,409)	\$ 24,306,343
PERCENTAGE			-0.15%	0.00%	-0.23%	0.00%	0.00%	-0.21%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Business-Type Activities taken as a whole. Adjustment deemed not necessary.

GENERAL FUND

Description	PJE #	Fund	Assets	Liabilities	Ending Fund Balance	Revenues	Expenditures	Beginning Fund Balance
Gaming License Revenue	2	General	\$ -	\$ -	\$ -	\$ 108,295	\$ -	\$ (108,295)
Prior Year - none			-	-	-	-	-	-
TOTAL			\$ -	\$ -	\$ -	\$ 108,295	\$ -	\$ (108,295)
FS CAPTION			\$ 18,664,464	\$ 4,347,481	\$ 14,316,983	\$ 60,414,793	\$ 56,248,404	\$ 11,674,720
PERCENTAGE			0.00%	0.00%	0.00%	0.18%	0.00%	-0.93%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the General Fund taken as a whole. Adjustment deemed not necessary.

SEWER ENTERPRISE FUND

Description	PJE #	Fund	Assets	Liabilities	Ending Net Assets	Op & Nonop Revenues & Cap Contrib	Op & Nonop Expenses	Beginning Net Assets
Bond Costs and Amortization (allocated based on balance of debt outstanding)	1	Sewer	\$ (114,144)	\$ -	\$ (114,144)	\$ -	\$ (27,671)	\$ (141,815)
Prior Year - none			-	-	-	-	-	-
TOTAL			\$ (114,144)	\$ -	\$ (114,144)	\$ -	\$ (27,671)	\$ (141,815)
FS CAPTION			\$ 75,190,966	\$ 16,670,027	\$ 58,520,939	\$ 8,611,043	\$ 8,179,762	\$ 58,089,658
PERCENTAGE			-0.15%	0.00%	-0.20%	0.00%	-0.34%	0.00%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Sewer Fund taken as a whole. Adjustment deemed not necessary.

WATER ENTERPRISE FUND

Description	PJE #	Fund	Assets	Liabilities	Ending Net Assets	Op & Nonop Revenues & Cap Contrib	Op & Nonop Expenses	Beginning Net Assets
Bond Costs and Amortization (allocated based on balance of debt outstanding)	1	Water	\$ (94,874)	\$ -	\$ (94,874)	\$ -	\$ (22,999)	\$ (117,873)
Prior Year			(25,390)	-	(25,390)	-	-	(25,390)
TOTAL			\$ (120,264)	\$ -	\$ (120,264)	\$ -	\$ (22,999)	\$ (143,263)
FS CAPTION			\$ 72,412,372	\$ 34,734,579	\$ 37,677,793	\$ 11,438,063	\$ 10,008,288	\$ 36,247,998
PERCENTAGE			-0.17%	0.00%	-0.32%	0.00%	-0.23%	-0.40%

CONCLUSION: Unadjusted audit differences reported above are both quantitatively and qualitatively immaterial to the Water Fund taken as a whole. Adjustment deemed not necessary.

CARSON CITY, NEVADA

Presentation of 2008 Audit Results

Kristen Burgess – Engagement Shareholder

Dan Carter – Project Manager



KAFURY. ARMSTRONG & CO.

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- Fiscal Year 2008 Financial Highlights
- Summary of Audit Results
- On the Horizon



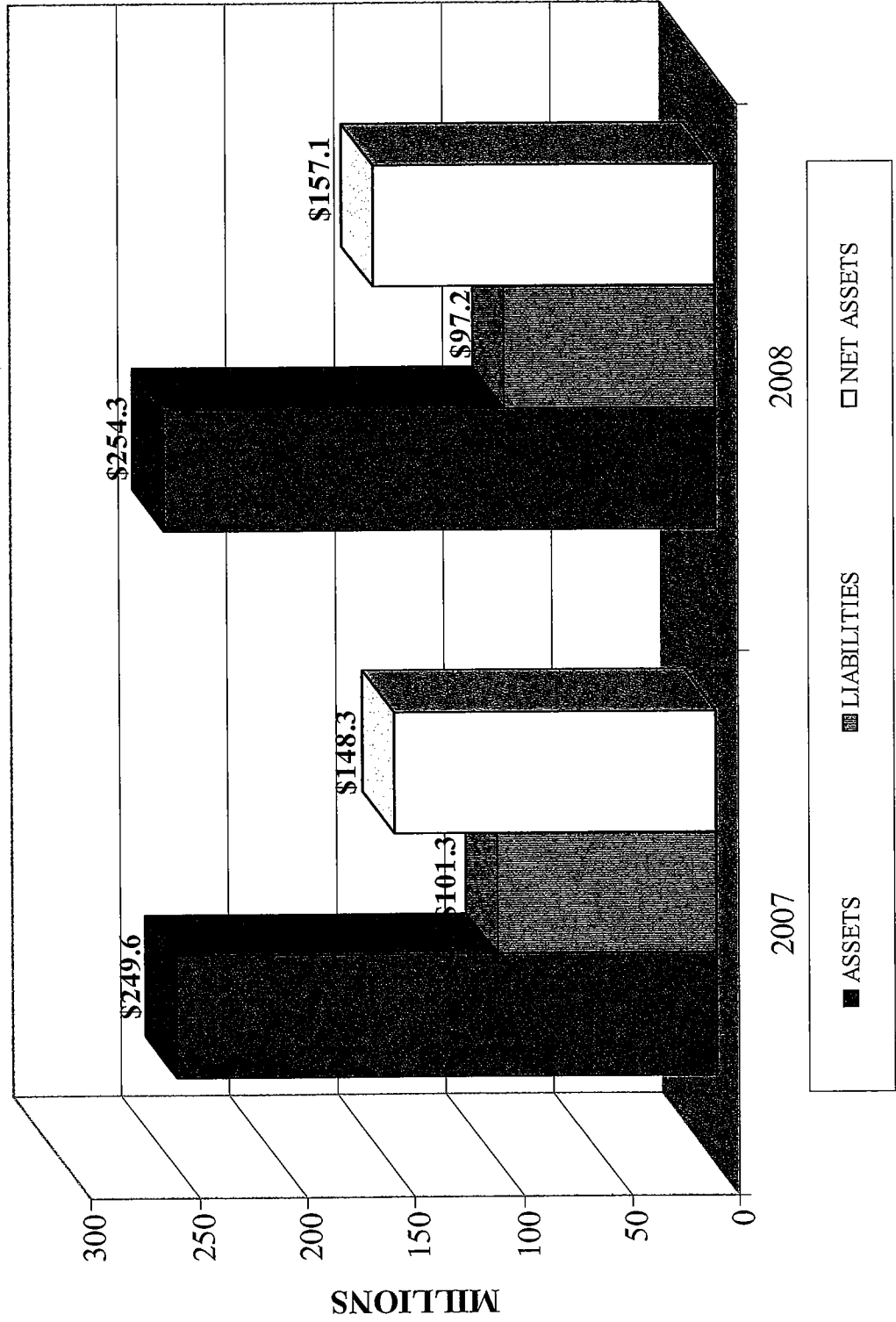
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Fiscal Year 2008 Highlights

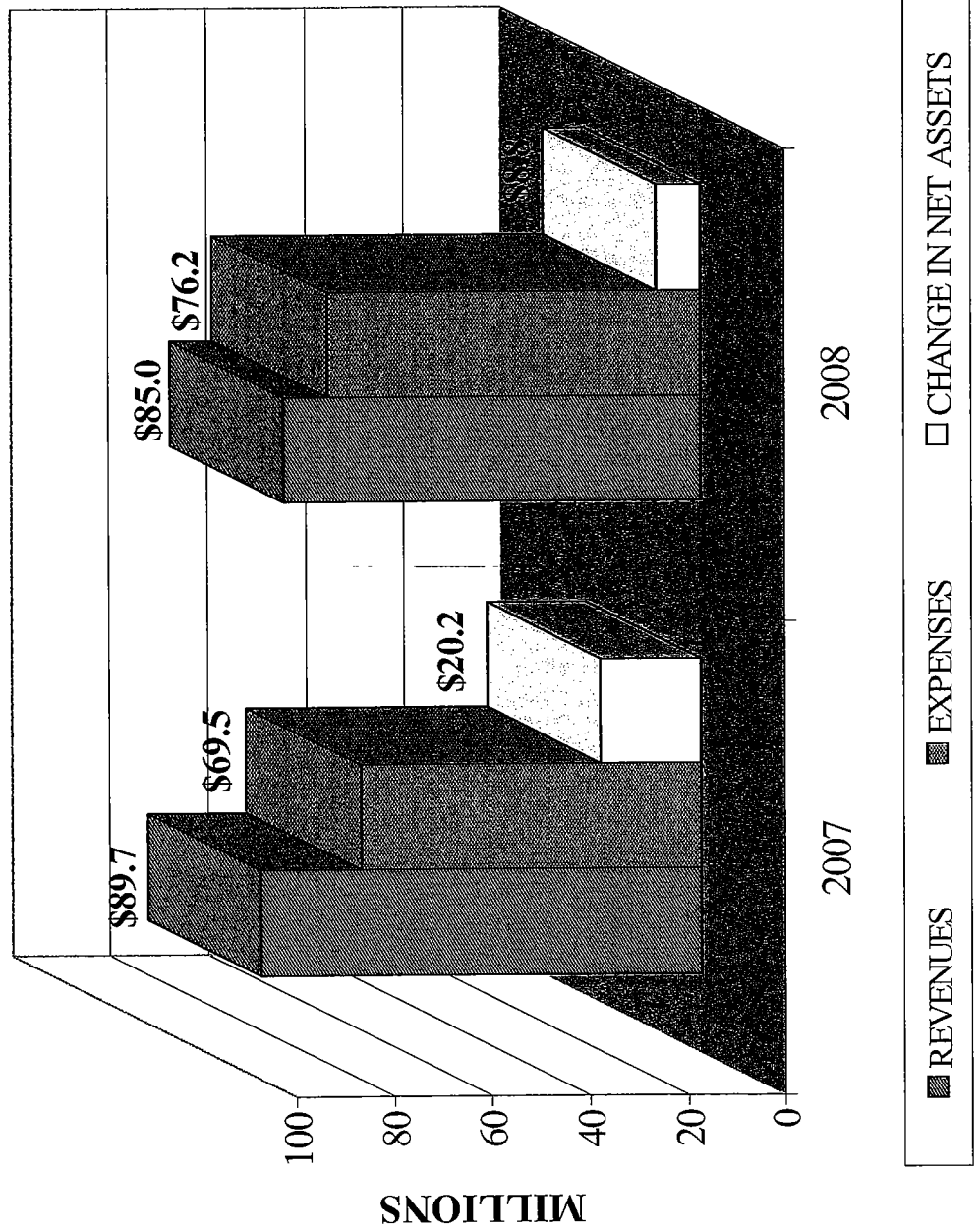


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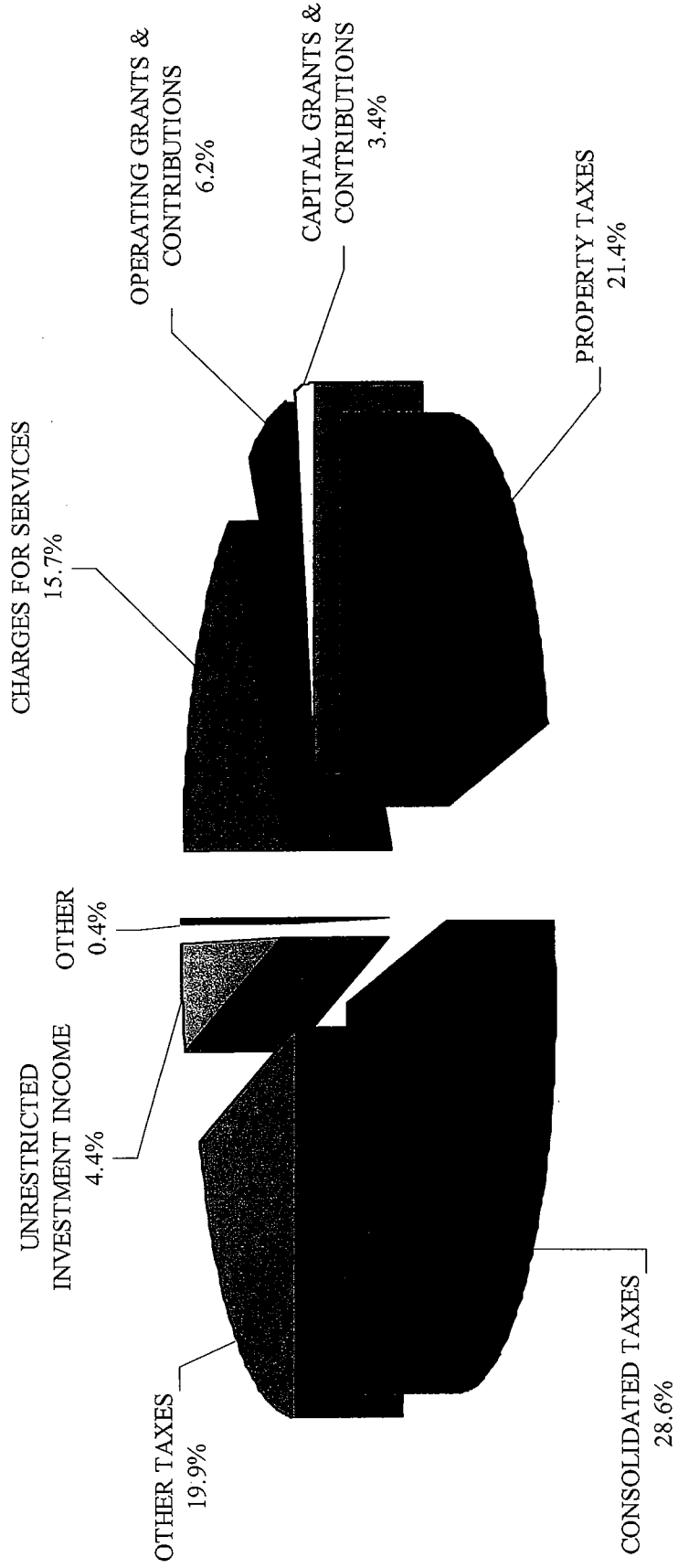
**CARSON CITY
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
JUNE 30,**



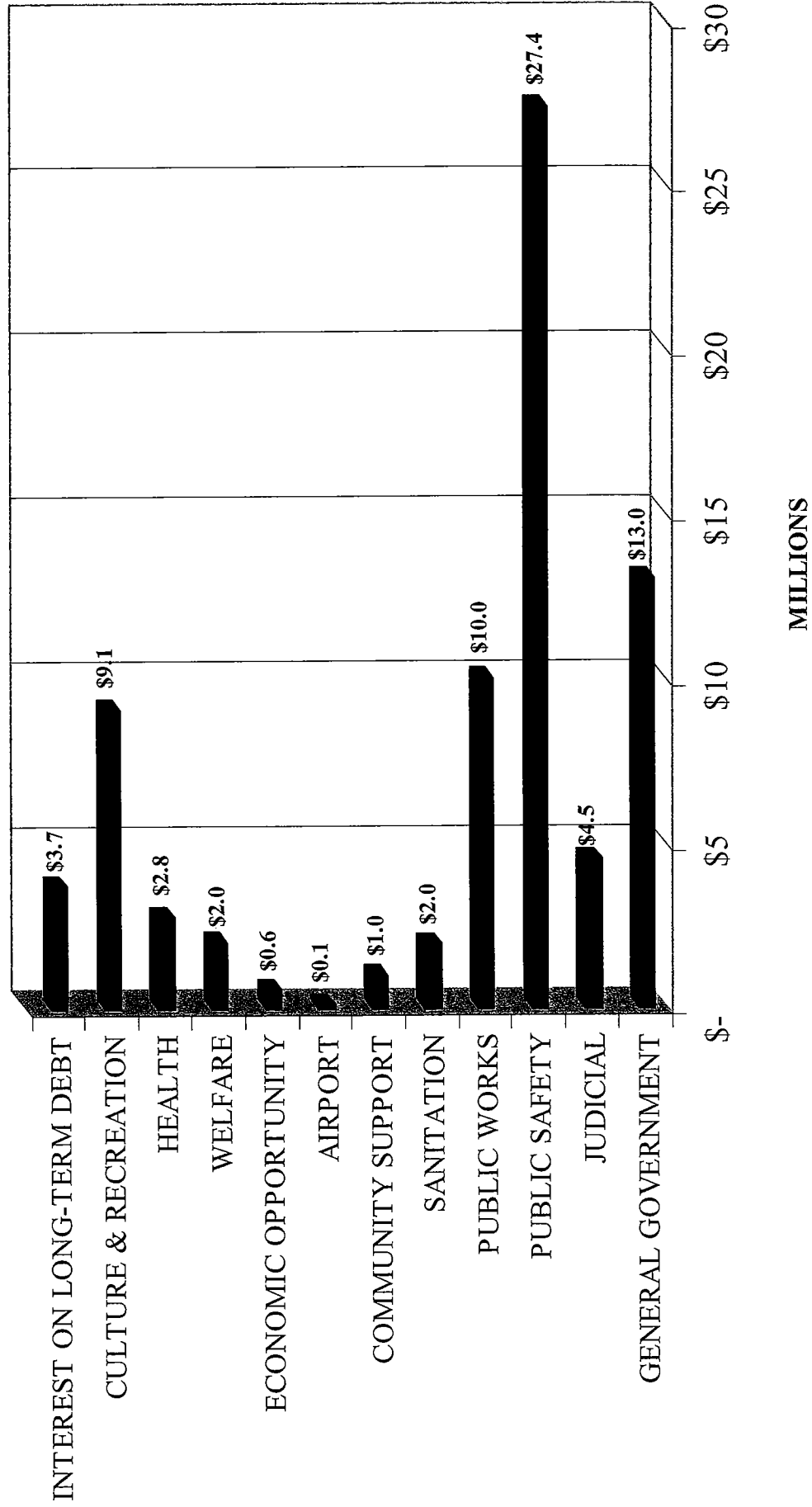
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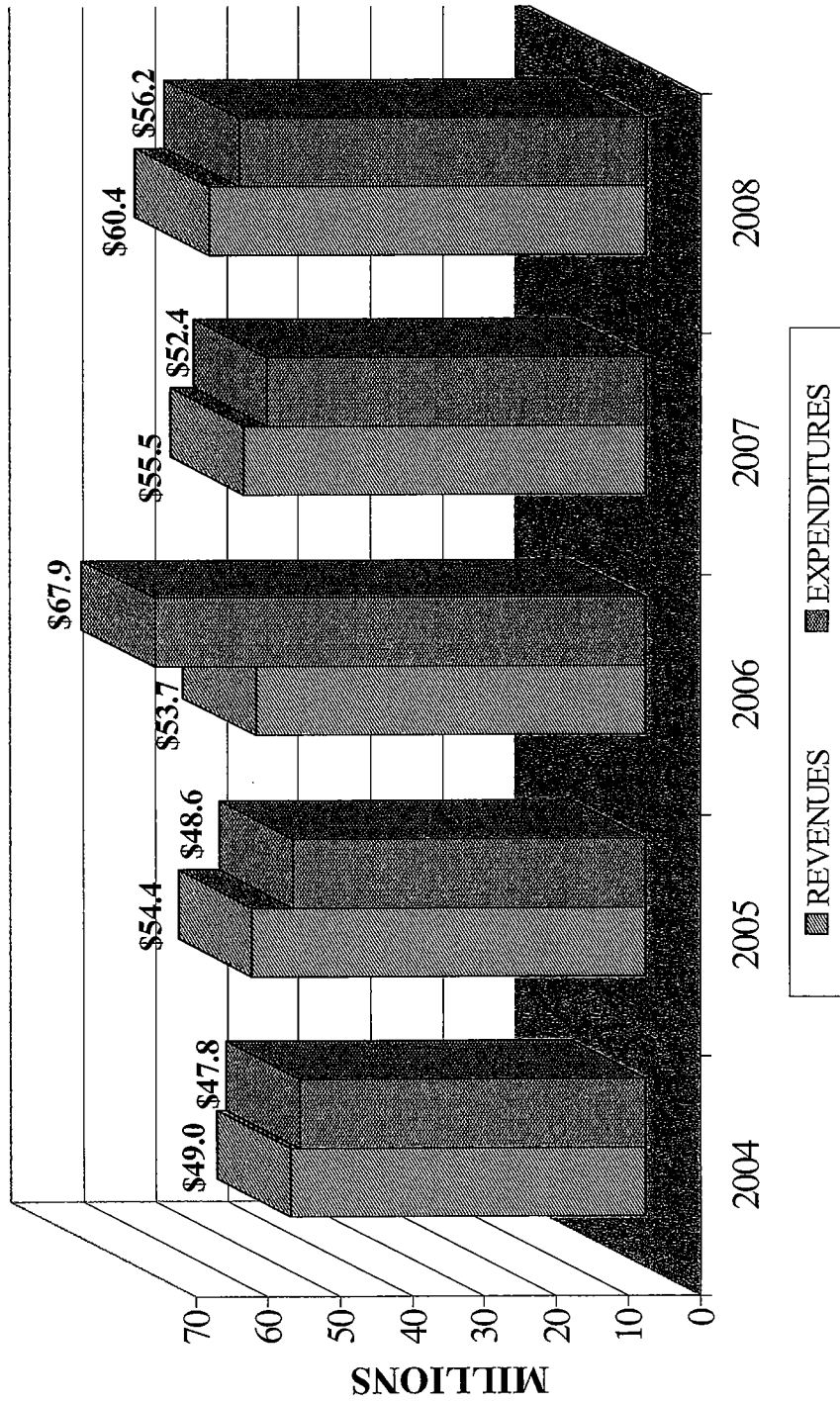
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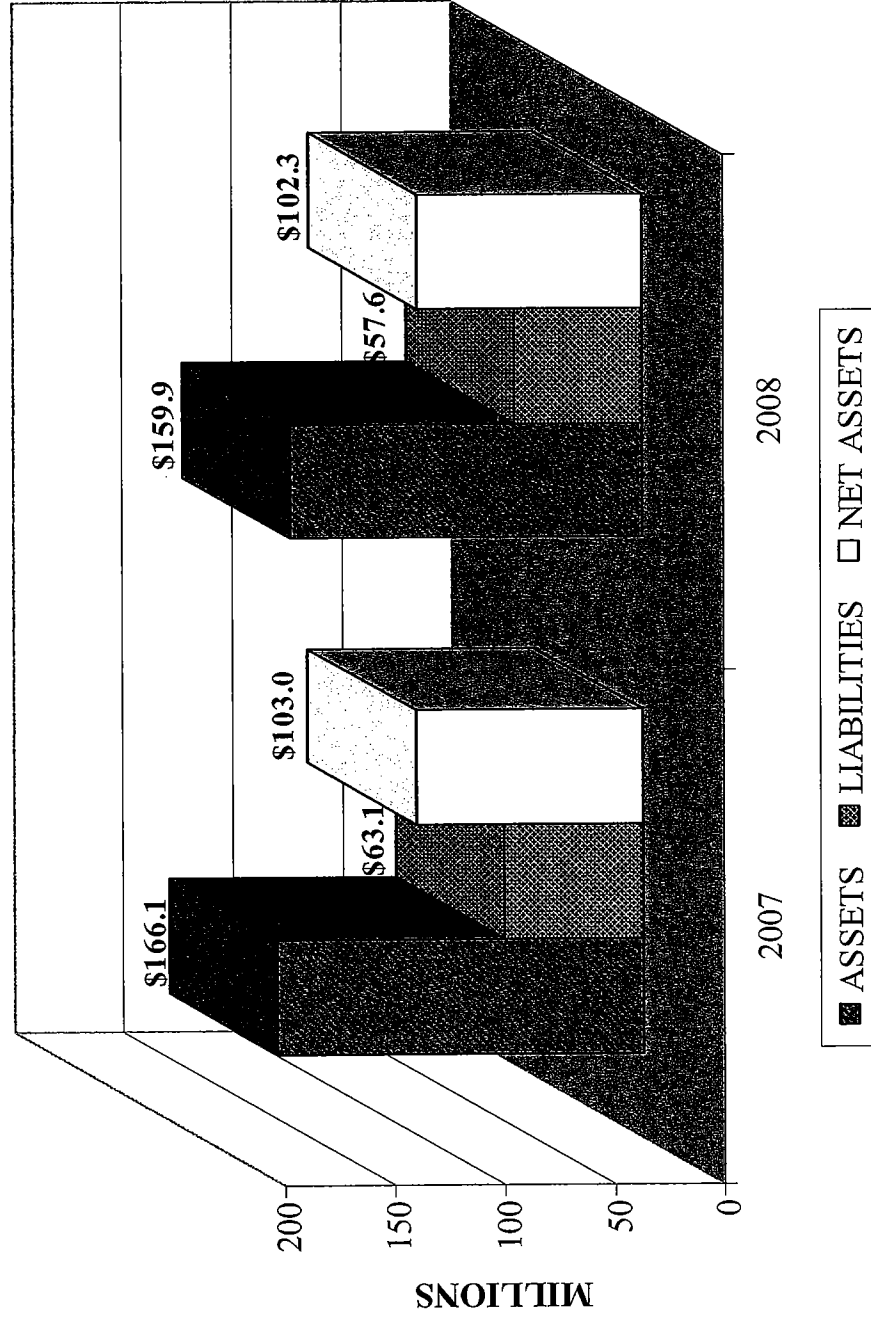
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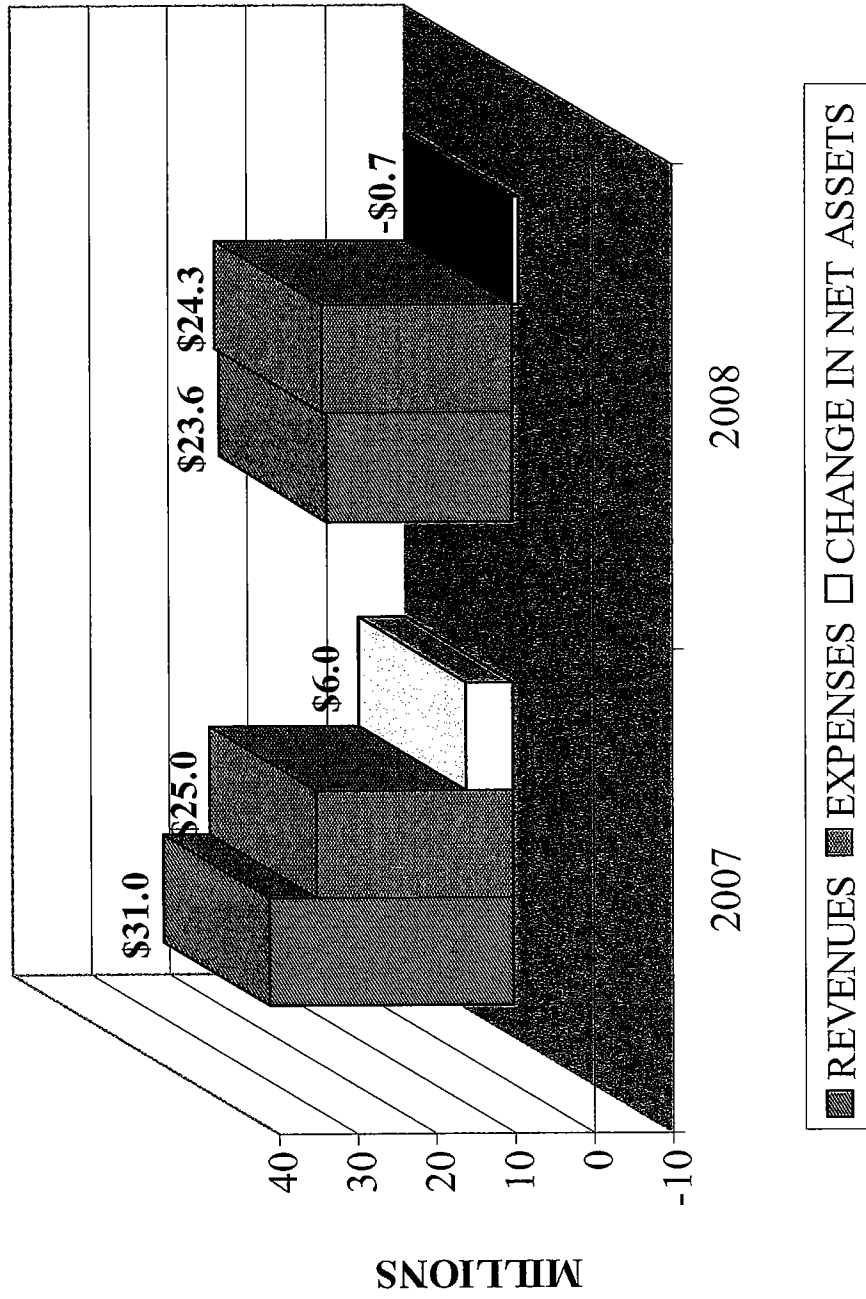
**CARSON CITY
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Summary of Audit Results



KAFOURY, ARMSTRONG & CO.

Summary of Audit Results

- Independent Auditor's Report on the Basic Financial Statements (pgs. 1-2)
- 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 (pgs. 174-175)
- Report on Compliance with the Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 (pgs. 176-177)



Summary of Audit Results

Independent Auditor's
Report on the Basic
Financial Statements

- Unqualified opinion
- Compliance with NRS and NAC is discussed in Note 2 to the financial statements (pg. 34)

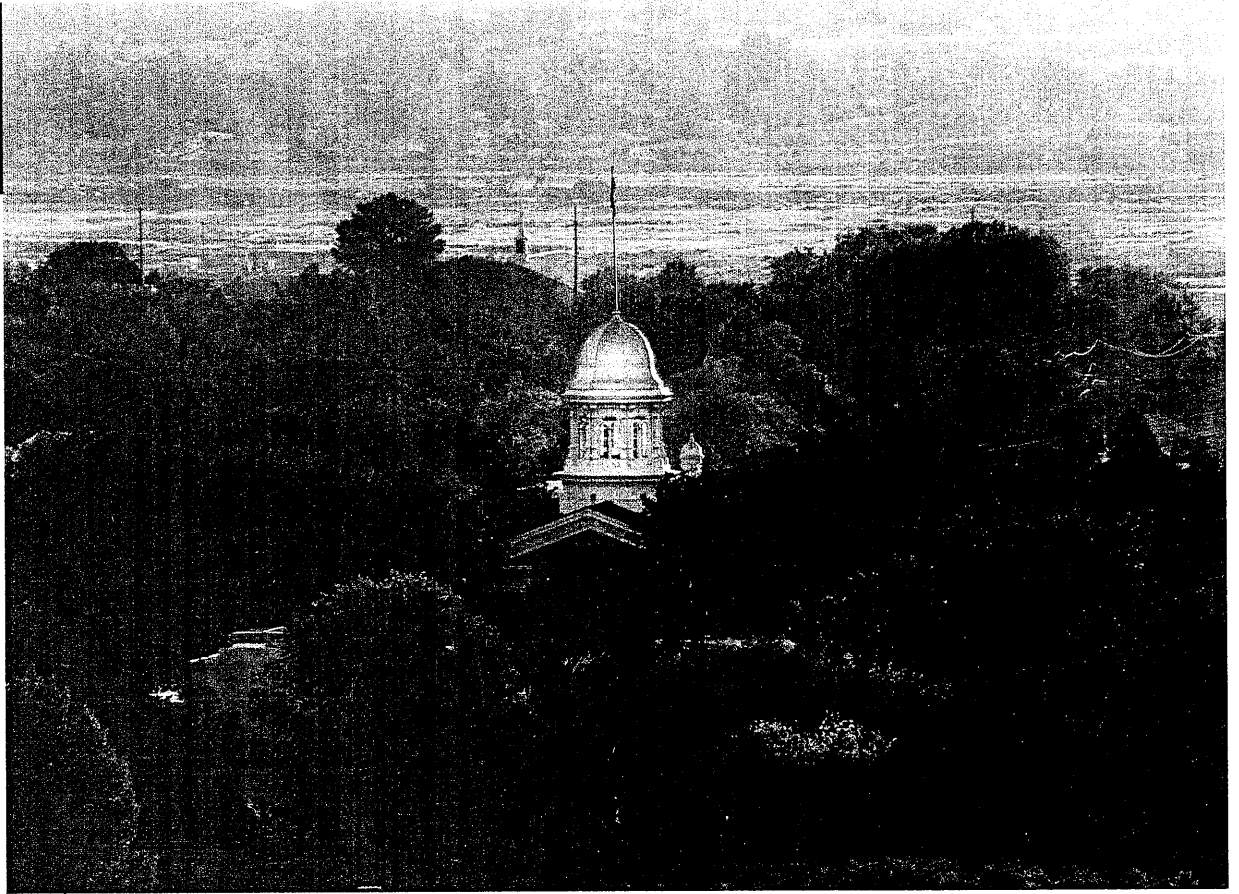


Summary of Audit Results

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

- Not an expression of an opinion
- Two (2) significant deficiencies identified
- No material weaknesses identified





Carson City, Nevada

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

CARSON CITY, NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

Prepared by: Finance Department
Nick Providenti, Finance Director

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CARSON CITY, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2008

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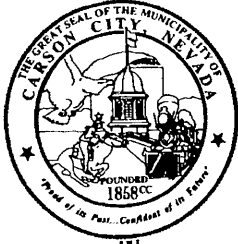
CARSON CITY, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2008

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INTRODUCTORY SECTION



CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

November 26, 2008

Honorable Mayor,
Members of the Board of Supervisors
and the Citizens of Carson City:

The comprehensive annual financial report of Carson City for the fiscal year ended June 30, 2008, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that Carson City issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Kafoury, Armstrong & Co., Certified Public Accountants, have issued an unqualified opinion on Carson City's financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Carson City is required to undergo an annual single audit in conformity with the provisions of Government Auditing Standards and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance, the schedule of findings and questioned costs and the summary schedule of prior audit findings are included in the compliance section.

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of 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. Carson City's MD&A can be found immediately following the report of the independent auditors.

The financial reporting entity, Carson City, includes all the funds of the primary government (i.e., the Consolidated Municipality of Carson City as legally defined), as well as

all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Redevelopment Authority is reported as special revenue, debt service and capital project funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Carson City Convention and Visitors' Bureau and Airport Authority are reported as discretely presented component units.

THE CITY AND ITS GOVERNING BODY

Carson City is the capital city of the State of Nevada. Carson City was founded as a trading post in 1858 and incorporated February 25, 1875. Carson City is a combined City and County governmental entity formed by the consolidation of the City of Carson City and Ormsby County on July 19, 1969.

Carson City has a land area of 147 square miles and an estimated population of 57,723 as of July 1, 2008. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Real and personal taxable property located within the City has an estimated market value of \$4,606,828,149 and an assessed value of \$1,612,389,852.

The City operates under what is commonly known as a "council-manager" form of government which was established by charter and adopted by the State Legislature. Under this form of government, Carson City is governed by a mayor and four supervisors who are elected at large, on a non-partisan basis, for overlapping four year terms. The Board of Supervisors is a policy-making board, appointing a city manager to oversee daily operations.

Carson City provides a full range of services including police and fire protection; sewer and water services; the construction and maintenance of highways, streets and infrastructure; and culture and recreational activities.

LOCAL ECONOMY

Carson City is located in the Northwestern part of the State. Nevada's rate of growth in population is one of the highest in the country and is expected to continue over the next several years. The Nevada State Demographer reported a .04% increase in Carson City's population between July 1, 2007 and July 1, 2008. Looking at the past 5 years, Carson City's growth rate has averaged 1.1% per year. During the past year, Carson City experienced a general slow down in the real estate market, not unlike the region, the state and the nation. According to the Assessor's office, the average sales price of a home this year has fallen to

around \$324,000. The average price in Carson City hit its peak this decade in 2006 with the average sales price around \$346,000

The real estate slow down as well as the downturn in the auto industry has impacted sales tax revenues in Carson City as well as the region. As a result, actual general fund intergovernmental revenues, a significant portion of which are made up of sales tax revenues, were \$3.1 million less than the final budget. Planned expenditures were reduced during the fiscal year in response to this reduction in revenue. At the end of the current fiscal year, total fund balance of the general fund exceeded the final budget by \$8,453,506. Of this amount, \$6.85 million is unspent incentives for business retention and recruitment that will be carried over to the next fiscal year. The remaining balance of \$1.6 million is evidence that the expenditure reductions effectively offset the reduction in revenues. Continued reductions in sales taxes are anticipated and continued reductions in expenditures are being evaluated. During FY 2002/2003, Carson City established the Stabilization Fund which may be used to offset reductions in tax revenues such as sales tax. In years in which growth in sales taxes was experienced, funds were transferred into the Stabilization Fund in order to build a reserve to buffer normal economic cycles. Continued declines in sales tax revenues could bring about the need to draw from the Stabilization Fund in Fiscal Year 2008/2009 in order to maintain public service levels.

The assessed valuation of Carson City continues to increase. Due to a cap on the growth in property tax for existing property and improvements approved by the 2005 Nevada State Legislature, the real growth in tax revenues is limited. The growth in the tax bill for residential property is limited to 3% annual growth and commercial property can grow by a maximum of 8% per year. Only new construction is outside of this cap for the first year it is on the tax rolls. The difference between the actual tax calculation (assessed valuation (x) tax rate) and the capped tax calculation is termed the "abatement". In the general fund, this abatement amount exceeded \$13 million in FY 2008/2009.

LONG-TERM FINANCIAL PLANNING

During FY 2007/2008, fees charged at the Carson City Landfill were set based upon regional market rates rather than actual costs. The resultant change in rates has produced revenues in excess of expenditures at the Landfill. These excess revenues will be used to fund economic development activities, as well as help offset overall General Fund ongoing expenditures.

Carson City remains very active in recruiting retail development in order to enhance the sales tax base. The City is currently in negotiations with a major automotive retailer to move two of his automotive dealerships to more desirable locations within the City. This follows a development agreement approved in FY 2006/2007 with another local auto dealer that will provide for a new automotive retail store. The City anticipates both of these retailers to have their new dealerships open in the 2nd half of 2009. The City also approved

development agreements in FY 2007/2008 with retailers to fill a vacant big box. These agreements are expected to provide enhancement of the City's sales tax base for the future.

RELEVANT FINANCIAL POLICIES

It is Carson City's policy that "one-shot" revenues not be used for future operations. These funds are reserved for capital expenditure only. Each year, any unreserved, undesignated fund balance in the General Fund is transferred to the Capital Acquisition and Development Fund or the Stabilization Fund.

MAJOR INITIATIVES

Planning is now underway for a new Recreation Center. This facility will be funded through prior and future debt supported by the Quality of Life Initiative which is a ¼% sales tax levy. Partnership agreements with other organizations are being pursued in order to maximize use and share expenses for the facility.

Improvements to the Wastewater Treatment Plant are now being designed and new federal standards for drinking water are necessitating the design and construction of additional water treatment facilities. Rates and charges for the Sewer and Water Funds are reviewed each January and rates are recommended to the Board of Supervisors to cover all operations and capital costs.

The Carson Freeway, Phase 2 A has been funded by the State of Nevada. This extension of the Carson Freeway from Highway 50 to Fairview Drive also requires relocation of Carson City utilities. These improvements have been funded through their respective enterprise funds. The funding for Carson Freeway Phase 2B (Fairview Drive to Highway 50 at Spooner Summit) has yet to be identified by the State of Nevada. By agreement with the State of Nevada, should Phase 2B not be completed by 2010, the allocation of local fuel taxes previously agreed to would cease, making additional funds available for local road projects.

FINANCIAL INFORMATION

SINGLE AUDIT. As a recipient of federal and state awards, Carson City is also responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs.

As a part of Carson City's single audit, described earlier, testing of internal control and compliance is performed as it relates to federal programs. The results of the single audit for the fiscal year ended June 30, 2008 provided no instances of non-compliance with the requirements applicable to each of the City's major federal programs or matters involving the internal control over compliance and its operation that were considered to be material weaknesses.

BUDGETARY CONTROLS. The City maintains several budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body in accordance with Nevada Revised Statutes Chapter 354, the Local Government Budget and Finance Act. Activities of the general fund, special revenue funds, capital projects funds, debt service funds, enterprise funds and internal service funds are included in the annual appropriated budget. The level of budgetary control (that is, the level of which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund for governmental funds and the sum of operating and non-operating expenses in the proprietary funds.

CASH MANAGEMENT. Cash temporarily idle during the year was invested in U.S. Government Securities, corporate bonds and the State of Nevada Local Government Investment Pool. The City follows the pooled cash concept which allows greater investment flexibility and greater investment returns. As of June 30, 2008, the City had total investments of \$74,559,485.

RISK MANAGEMENT. Carson City insures a portion of its risks and self-funds other. Property damage, general liability, law, errors and omissions, and auto are insured subject to a \$100,000 deductible per occurrence and, therefore, claims under \$100,000 are funded by the City. Other coverage currently held by the City includes applicable airport liability, boiler and machinery, and bonds for public officials. In addition, certain automobile damages are self-insured by the City. The Insurance Fund (an internal service fund) is used for the purpose of those self-insured areas discussed above and funding insurance premiums. Reserves are being accumulated to protect against future liability claims against the City as resources are available.

As of July 1, 2003, Carson City elected to become a member of the Public Agency Compensation Trust (PACT) for workers' compensation. The City pays an annual premium and there are no deductibles. The PACT is considered a self-sustaining risk pool that will provide coverage for its members up to \$350,000/\$750,000 per insured event. The Pool obtains independent coverage for insured events in excess of these limits. The City retains liability for claims for the period from July 1, 1992 to June 30, 2003 when the City was self-insured. The Workers' Compensation Fund (an internal service fund) is used to account for the payment of insurance premiums and for funding the liability for the period when the City was self-insured.

OTHER INFORMATION

AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Carson City for its comprehensive annual financial report for the fiscal year ended June 30, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Carson City has received a Certificate of Achievement for the last eighteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for the contribution made in the preparation of this report.

In closing, without the leadership and support of the Carson City Board of Supervisors, the continued strengthening of the City's finances and the continued dedication to financial excellence would not have been possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Nickolas Providenti". The signature is fluid and cursive, with a large initial "N" and "P".

Nickolas Providenti
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carson City
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



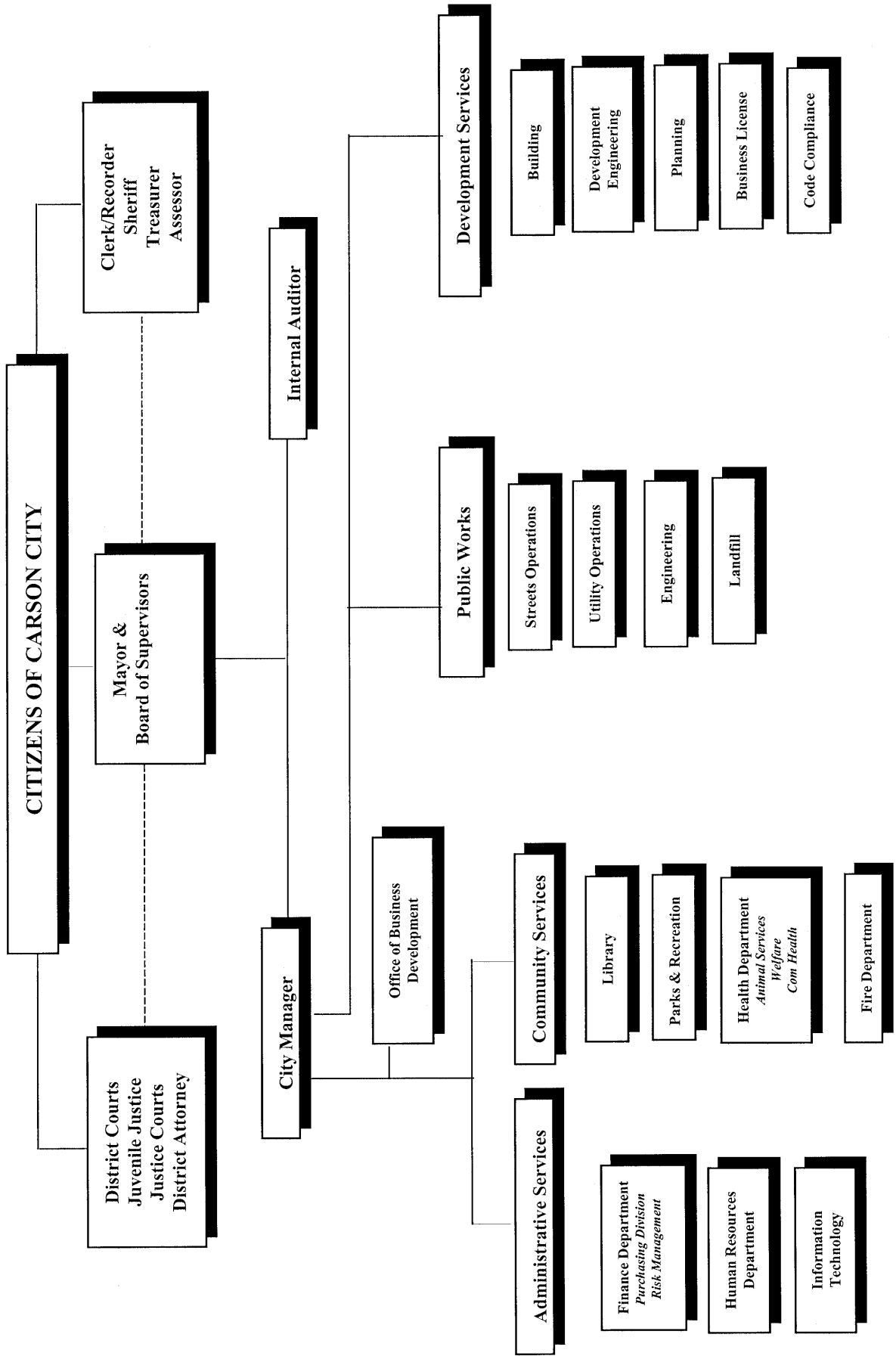
Oliver S. Cox

President

Jeffrey R. Enow

Executive Director

Carson City Organizational Chart



Updated: 11/12/08

CARSON CITY
LISTING OF PRINCIPAL OFFICIALS
FY 2008

TITLE	NAME
Mayor	Marv Teixeira
Supervisor, Ward 1	Robin Williamson
Supervisor, Ward 2	Shelly Aldean
Supervisor, Ward 3	Pete Livermore
Supervisor, Ward 4	Richard Staub
Assessor	Dave Dawley
Treasurer	Al Kramer
District Attorney	Neil Rombardo
District Court I	Judge James T. Russell
District Court II	Judge William Maddox
Justice of the Peace	Judge Robey Willis
Justice of the Peace	Judge John Tatro
Clerk-Recorder	Alan Glover
Sheriff	Ken Furlong
City Manager	Larry Werner
Finance Director/Risk Manager	Nick Providenti
Information Services Director	Kevin Haggerty
Planning Director	Lee Plemel
Economic/Redevelopment Director	Joe McCarthy
Cooperative Extension Director	JoAnne Skelly
Library Director	Sara Jones
Health Director	Marena Works
Juvenile Special Master	David Nielsen
Chief Juvenile Probation Officer	John Simms
Parks and Recreation Director	Roger Moellendorf
Fire Chief	Stacey Giomi
Internal Auditor	Susan Johnson
Senior Center Director	Janice McIntosh
Human Resources Manager	Jennifer Schultz
Public Works Director	Andrew Burnham
Public Works Operations Manager	Ken Arnold
City Engineer	Jeff Sharp
Development Services Director	Walt Sullivan
Transportation Program Manager	Patrick Pittenger
Chief Building Official	Kevin Gattis

FINANCIAL SECTION

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

Independent Auditor's Report

To the Honorable Mayor and Members of the
Board of Supervisors, Carson City, Nevada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City, Nevada, as of and for the year ended June 30, 2008, which collectively comprise Carson City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Carson City, Nevada. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Airport Authority of Carson City, Nevada or the Carson City Convention and Visitors' Bureau, both of which are discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

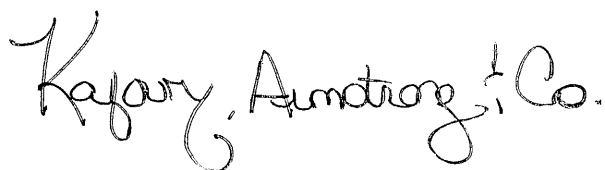
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Carson City Convention and Visitors' Bureau were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City, Nevada, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Quality of Life Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008 on our consideration of Carson City, Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3A through 3K is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carson City, Nevada's basic financial statements. The Introductory Section, combining and individual fund statements and schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Carson City, Nevada. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.



Reno, Nevada
November 26, 2008

Carson City, Nevada Management's Discussion and Analysis

As management of Carson City, Nevada (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$259,377,382 (*net assets*). Of this amount, \$17,084,052 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$8,078,854. Approximately, half of this increase is attributable to investment earnings.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47,151,068, a decrease of \$10,527,206 in comparison with the prior year. \$46,345,557 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$13,526,730, or 24 percent of total General Fund expenditures.
- The City's total bonded debt decreased by \$5,659,369 (4 percent) during the current fiscal year.

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) 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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. 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 assets changed during the most recent fiscal year. All changes in net assets 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).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions 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, public safety, judicial, public works, sanitation, health, welfare, community support, airport, economic opportunity, and culture and recreation. The business-type activities of the City include water, sewer, ambulance, cemetery, building permits and stormwater drainage.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate airport authority and a legally separate convention and visitors' bureau for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Redevelopment Authority, although also legally separate, functions for all practical purposes as a department of the City, therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 4-7 of this report.

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 the 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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-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 Quality of Life Fund, both of which are considered to be major funds. Data from the other twenty-six 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 and individual fund statements and schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and for each of its special revenue funds, debt service funds and capital projects funds. A budgetary comparison statement has been provided for each of the City's governmental funds to demonstrate compliance with this budget. The budgetary comparison statements for the General Fund and the Quality of Life Fund, major governmental funds, are located in the basic financial statements and budgetary comparison schedules for the nonmajor governmental funds are provided in the individual funds statements.

The basic governmental fund financial statements can be found on pages 8-15 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, ambulance, cemetery, building permit, and stormwater drainage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its group medical insurance, workers' compensation, insurance and fleet management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental 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, both of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of *combining and individual fund statements and schedules* elsewhere in this report. Individual fund data for the internal service funds is provided in the form of *combining and individual fund statements and schedules* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 16-25 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 statement 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 pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-50 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and enterprise funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 51-152 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$259,377,382 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (84 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. 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.

Carson City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$63,275,823	\$77,298,334	\$21,308,581	\$33,392,976	\$ 84,584,404	\$ 110,691,310
Capital assets	191,010,976	172,286,623	138,581,276	132,763,549	329,592,252	305,050,172
Total assets	254,286,799	249,584,957	159,889,857	166,156,525	414,176,656	415,741,482
Long-term liabilities outstanding	87,596,266	87,421,893	54,706,432	60,443,337	142,302,698	147,865,230
Other liabilities	9,632,994	13,899,698	2,863,582	2,678,026	12,496,576	16,577,724
Total liabilities	97,229,260	101,321,591	57,570,014	63,121,363	154,799,274	164,442,954
Net assets:						
Invested in capital assets, net of related debt	131,338,112	120,602,072	87,652,903	84,123,860	218,991,015	204,725,932
Restricted	23,302,315	29,389,902	-	2,742,096	23,302,315	32,131,998
Unrestricted	2,417,112	(1,728,608)	14,666,940	16,169,206	17,084,052	14,440,598
Total net assets	\$157,057,539	\$148,263,366	\$102,319,843	\$103,035,162	\$ 259,377,382	\$ 251,298,528

An additional portion of the City's net assets (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$17,084,052) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's net assets increased \$8,078,854 during the current fiscal year. The majority of this increase was the result of investment income in the governmental and business-type activities and capital assets contributed by developers and connection fees in the Sewer and Water Funds.

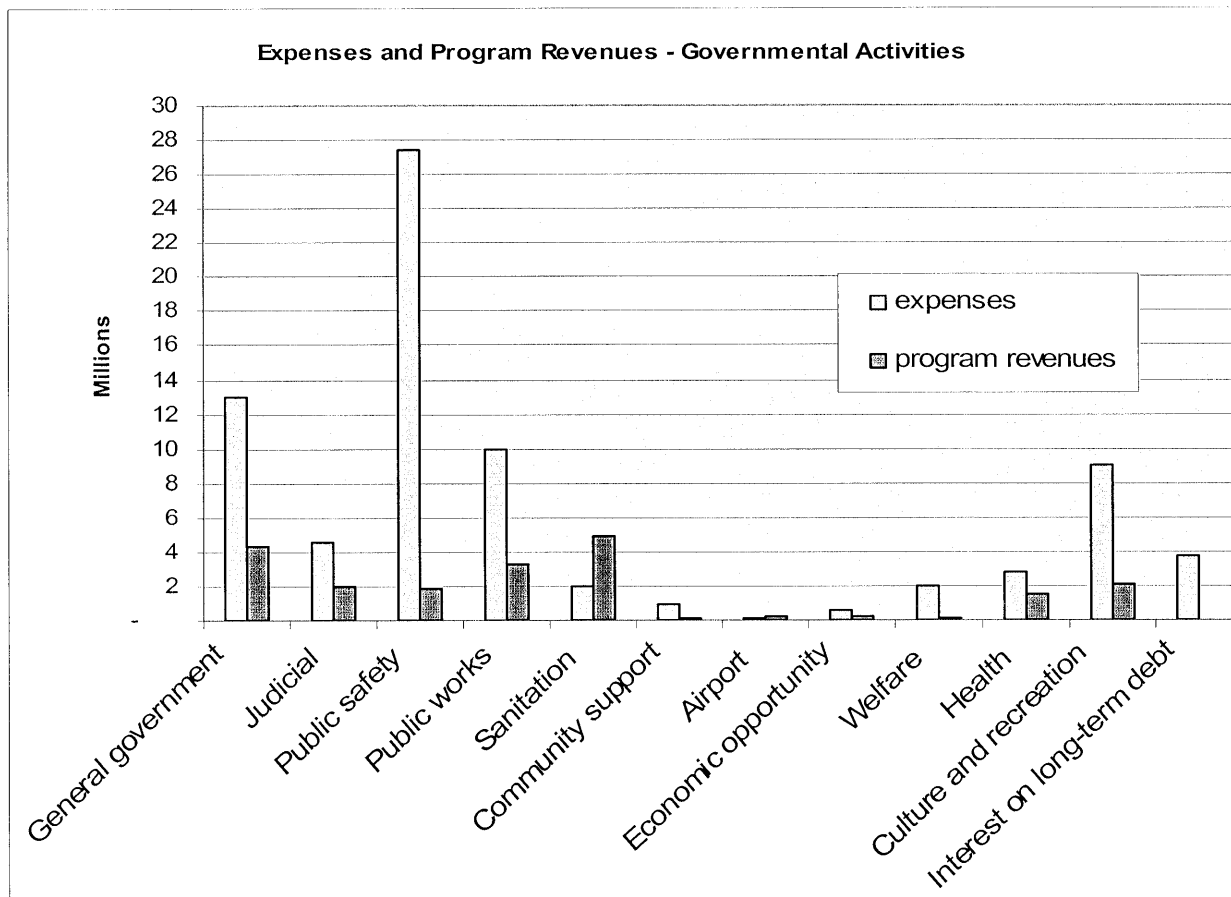
Carson City's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$12,887,791	\$ 7,194,480	\$20,545,041	\$22,492,588	\$33,432,832	\$29,687,068
Operating grants and Contributions	5,088,124	6,129,717	-	-	5,088,124	6,129,717
Capital grants and contributions	2,819,030	14,492,662	4,987,392	6,462,247	7,806,422	20,954,909
General revenues:						
Property taxes	17,542,259	16,538,908	-	-	17,542,259	16,538,908
Other taxes	39,725,344	42,298,650	-	-	39,725,344	42,298,650
Other	3,922,929	3,777,575	1,058,683	1,319,813	4,981,612	5,097,388
Total Revenues	81,985,477	90,431,992	26,591,116	30,274,648	108,576,593	120,706,640
Expenses:						
General government	13,042,589	13,329,480	-	-	13,042,589	13,329,480
Judicial	4,526,334	3,656,007	-	-	4,526,334	3,656,007
Public safety	27,388,924	26,333,209	-	-	27,388,924	26,333,209
Public works	10,017,131	7,205,824	-	-	10,017,131	7,205,824
Sanitation	1,972,849	-	-	-	1,972,849	-
Community support	991,673	552,307	-	-	991,673	552,307
Airport	124,386	348,318	-	-	124,386	348,318
Economic opportunity	560,255	485,422	-	-	560,255	485,422
Welfare	2,008,154	2,074,309	-	-	2,008,154	2,074,309
Health	2,781,546	2,736,463	-	-	2,781,546	2,736,463
Culture and recreation	9,056,223	8,897,085	-	-	9,056,223	8,897,085
Interest and fiscal charges	3,721,332	3,844,651	-	-	3,721,332	3,844,651
Landfill	-	-	-	2,057,836	-	2,057,836
Ambulance	-	-	3,444,369	3,314,417	3,444,369	3,314,417
Sewer	-	-	8,196,029	7,751,960	8,196,029	7,751,960
Water	-	-	9,996,906	9,143,663	9,996,906	9,143,663
Cemetery	-	-	206,709	201,439	206,709	201,439
Building Permits	-	-	1,581,943	1,724,380	1,581,943	1,724,380
Stormwater Drainage	-	-	880,387	860,866	880,387	860,866
Total Expenses	76,191,396	69,463,075	24,306,343	25,054,561	100,497,739	94,517,636
Increase (decrease) in net assets						
before transfers	5,794,081	20,968,917	2,284,773	5,220,087	8,078,854	26,189,004
Transfers	3,000,092	(746,617)	(3,000,092)	746,617	-	-
Increase (decrease) in net assets	8,794,173	20,222,300	(715,319)	5,966,704	8,078,854	26,189,004
Net assets - July 1, as Previously						
Reported	148,263,366	87,330,313	103,035,162	97,068,458	251,298,528	184,398,771
Cumulative effect of a change in						
accounting principle	-	40,710,753	-	-	-	40,710,753
Net assets - July 1, as Adjusted	148,263,366	128,041,066	103,035,162	97,068,458	251,298,528	225,109,524
Net assets - June 30	<u>\$157,057,539</u>	<u>\$148,263,366</u>	<u>\$102,319,843</u>	<u>\$103,035,162</u>	<u>\$259,377,382</u>	<u>\$251,298,528</u>

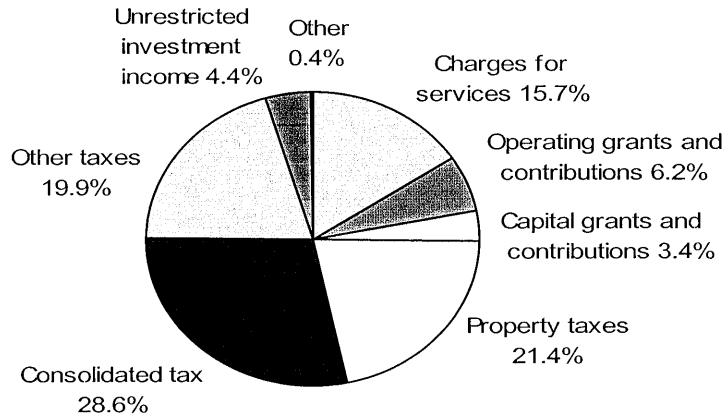
Governmental activities. Governmental activities increased the City's net assets by \$8,794,173, a decrease of \$11,428,127 from the prior year. Key elements of the change from prior year are as follows:

- Capital grants and contributions decreased \$11.7 million from the prior year due to a decrease in contributions of infrastructure from developers and the receipt of \$10 million in federal and local grants for airport development in the prior year.
- \$6.2 million increase due to the transfer of landfill operations from business-type activities to governmental activities during the current year.
- \$2.9 million decrease due to the increase in depreciation expense during the current year mostly related to the retroactive reporting of infrastructure assets in the prior year.
- \$2.9 million decrease in sales taxes and consolidated taxes from the prior year.

Program revenues for governmental activities provided 27 percent of the resources necessary to pay the cost of providing program services. The remaining program costs were financed with general revenues. The largest general revenues are consolidated tax of \$23,442,872 and property taxes of \$17,542,259.



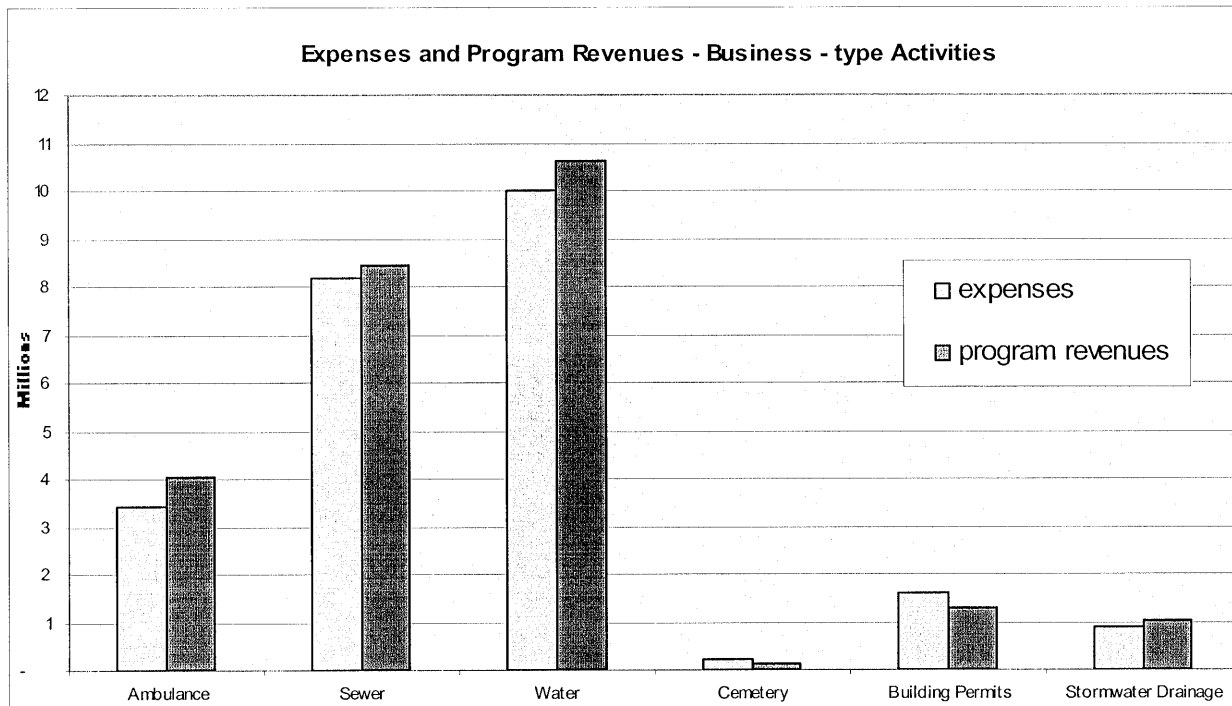
Revenues by Source - Governmental Activities



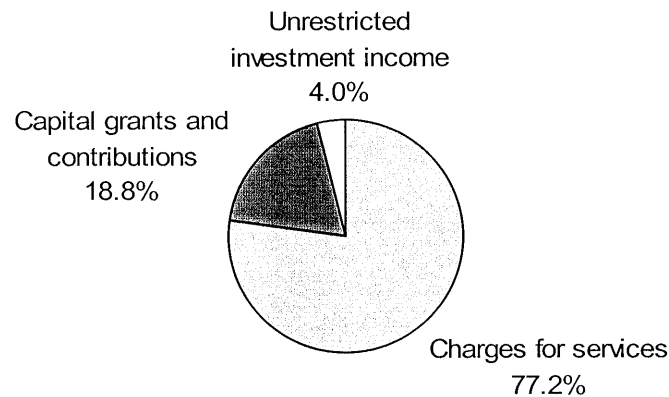
Business-type activities. Business-type activities decreased the City's net assets by \$(715,319), a decrease of \$6,682,023 from the prior year. Key elements of this decrease are as follows:

- Approximately \$5 million is due to the transfer of landfill operations from business-type activities to governmental activities during the current year.
- \$400,000 increase in capital grants for various projects.
- \$1.9 million decrease in capital assets contributed by developers and connection fees in the Sewer and Water funds.

Sewer and water expenses represent 75 percent of total expenses for business-type activities.



Revenues by Source - Business - type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47,151,068, a decrease of \$10,527,206 in comparison with the prior year. Of this total amount, \$46,345,557 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for unspent donations (\$304,745), 2) for judicial programs (\$442,424), or 3) for prepaid items and inventory (\$58,342).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$13,526,730, while total fund balance reached \$14,316,983. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 24 percent of total General Fund expenditures, while total fund balance represents 25 percent of that same amount.

The fund balance of the City's General Fund increased by \$2,642,263 during the current fiscal year, an increase of \$1,866,406 from the prior year. Key elements of the change from prior year are as follows:

- Property taxes increased by \$870,000 over the prior year as a result of an increase in property tax rates and assessed valuation.

- Transfers in increased by \$1.4 million over the prior year. This increase is due to the transfer of landfill operations from the Carson City Sanitary Landfill Fund, an enterprise fund, to the General Fund.
- \$1.5 million increase due to current year landfill operations reflected in the General Fund.
- Intergovernmental revenues decreased by \$2.5 million from the prior year. This decrease is due to a decline in consolidated tax revenues largely as a result of a decline in taxable sales.
- Miscellaneous revenue increased \$500,000 over the prior year due to an increase in the fair value of investments as well as increased investment earnings in the current year.

The Quality of Life Fund has a total fund balance of \$11,339,894, all of which is unreserved except for \$1,000 which is reserved for prepaid items. The fund balance decreased by \$6,448,736 during the current fiscal year, a decrease of \$7,059,329 from the prior year. Key elements of the change from prior year are as follows:

- \$4.5 million increase in purchases of property for open space.
- \$2.3 million increase in capital improvements for parks, fairgrounds and the Community Center Theater.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to \$4,085,656 in the Sewer Fund and \$8,370,759 for the Water Fund. The total growth in net assets for the funds was \$431,281 and \$1,429,795, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Budgeted appropriations increased \$11,867,515 between the original budget and the final amended budget. The increase can be briefly summarized as follows:

- \$4.85 million increase in appropriations for economic development to fund incentives for business retention and recruitment in the automotive sector.
- \$5.9 million increase in appropriations to reflect the transfer of landfill operations from the Carson City Sanitary Landfill Fund, an enterprise fund, to the General Fund.
- Carryover of program costs from the prior year budget amounting to \$460,000 allocated to various departments.
- \$658,000 increase in various department appropriations offset by increases in charges for services, intergovernmental revenues, operating transfers in, and donations.

Of this increase, \$5.266 million was funded from charges for services, \$392,000 was funded from intergovernmental revenues, grants and donations, and investment income, and \$900,000 was funded from operating transfers in. The remaining \$5.31 million was to be budgeted from available fund balance.

The only significant differences between the final amended budget and actual amounts are as follows:

- There was \$6.85 million in unspent incentives for business retention and recruitment in the economic opportunity function. This appropriation will be carried over to the next fiscal year.

- Actual intergovernmental revenues were \$3.1 million less than the final budget due to a decline in consolidated tax revenues.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$329,592,252 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and water rights. The total increase in the City's investment in capital assets for the current fiscal year was 8 percent (an 11 percent increase for governmental activities and a 4 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Donated infrastructure (streets, curb and gutter) from developers was valued at \$1.6 million.
- \$3.6 million for the construction of the sheriff administration building.
- \$5.2 million in land purchases for open space.
- Approximately \$2 million for parks and fairgrounds improvements.
- A variety of street construction projects are on-going, such as widening and expansion projects, at a cost of approximately \$5.8 million.
- \$731,000 for storm drainage projects.
- \$6.4 million for sewer and water projects related to the extension of the Carson Freeway.
- Transfer of capital assets of \$1.8 million from the business-type activities to the governmental activities.

Carson City's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$34,791,052	\$29,208,402	\$3,070,014	\$3,076,948	\$ 37,861,066	\$32,285,350
Construction in progress/infrastructure	8,585,533	2,851,150	-	-	8,585,533	2,851,150
Construction in progress	1,600,271	11,144,673	18,549,949	14,296,881	20,150,220	25,441,554
Buildings	59,198,913	47,264,119	9,692,943	9,563,288	68,891,856	56,827,407
Improvements other than buildings	14,380,956	13,279,985	96,129,324	93,317,291	110,510,280	106,597,276
Machinery and equipment	13,834,993	10,715,540	3,119,894	4,501,881	16,954,887	15,217,421
Infrastructure	58,619,258	57,822,754	-	-	58,619,258	57,822,754
Water rights	-	-	8,019,152	8,007,260	8,019,152	8,007,260
Total	\$191,010,976	\$172,286,623	\$138,581,276	\$132,763,549	\$329,592,252	\$305,050,172

Additional information on the City's capital assets can be found in note 3-B on pages 38-41 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$131,175,167. Of this amount, \$126,260,167 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Carson City's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$72,462,454	\$74,574,351	\$53,797,713	\$57,120,185	\$126,260,167	\$131,694,536
Revenue bonds	4,915,000	5,140,000	-	-	4,915,000	5,140,000
Total	\$77,377,454	\$79,714,351	\$53,797,713	\$57,120,185	\$131,175,167	\$136,834,536

The City's total bonded debt decreased by \$5,659,369 (4 percent) from the prior year. This decrease is the result of no new bond issues during the current fiscal year.

The City maintains an "A+" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue up to percent of its total assessed valuation. The current debt limitation for the City is \$289,552,288, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in note 3-D on pages 43-47 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's unemployment rate was 6.7% at June 30, 2008, which is an increase from a rate of 5% a year ago. The national and state unemployment rates were 5.5% and 6.4%, respectively, at June 30, 2008.
- The City's assessed value grew 12 percent in fiscal 2007-08 to 1.612 billion and 14 percent in fiscal 2008-09 to 1.843 billion.
- Continued reductions in sales tax revenue are anticipated for FY 2008-09.

All of these factors were considered in preparing the City's budget for the 2009 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased \$2,645,012 to \$13,526,730. The City has appropriated \$5,143,029 of this amount for spending in the 2009 fiscal year budget.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Carson City Finance Department, 201 N. Carson Street, Suite 3, Carson City, Nevada 89701.

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BASIC FINANCIAL STATEMENTS

CARSON CITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 49,056,722	\$ 16,276,154	\$ 65,332,876
Receivables (net of allowances for uncollectibles)	3,161,928	3,453,835	6,615,763
Due from other governments	8,093,988	717,403	8,811,391
Due from component units	13,379	-	13,379
Due from primary government	-	-	-
Internal balances	211,952	(211,952)	-
Inventories	78,075	294,247	372,322
Prepays	630,733	4,687	635,420
Restricted assets:			
Cash and investments	1,039,211	348,204	1,387,415
Other assets	989,835	426,003	1,415,838
Capital assets (net of accumulated depreciation):			
Land	34,791,052	3,070,014	37,861,066
Construction in progress - infrastructure	8,585,533	-	8,585,533
Construction in progress	1,600,271	18,549,949	20,150,220
Buildings	59,198,913	9,692,943	68,891,856
Improvements other than buildings	14,380,956	96,129,324	110,510,280
Machinery and equipment	13,834,993	3,119,894	16,954,887
Infrastructure	58,619,258	-	58,619,258
Water rights	-	8,019,152	8,019,152
Total Assets	<u>254,286,799</u>	<u>159,889,857</u>	<u>414,176,656</u>
LIABILITIES			
Accounts payable and accrued expenses	6,389,829	1,489,768	7,879,597
Accrued interest payable	582,350	349,773	932,123
Due to other governments	508,017	388,077	896,094
Due to component units	320,383	-	320,383
Due to primary government	-	-	-
Unearned revenue	147,920	272,455	420,375
Other liabilities	709,960	15,305	725,265
Current liabilities payable from restricted assets	974,535	348,204	1,322,739
Noncurrent liabilities:			
Due within one year	3,583,857	3,411,085	6,994,942
Due in more than one year	84,012,409	51,295,347	135,307,756
Total Liabilities	<u>97,229,260</u>	<u>57,570,014</u>	<u>154,799,274</u>
NET ASSETS			
Invested in capital assets, net of related debt	131,338,112	87,652,903	218,991,015
Restricted for:			
General government	146,117	-	146,117
Public safety	345,108	-	345,108
Judicial	301,544	-	301,544
Public works	6,253,828	-	6,253,828
Health	170,605	-	170,605
Culture and recreation	12,419,150	-	12,419,150
Welfare	37,001	-	37,001
Capital projects	574,750	-	574,750
Debt service	200,000	-	200,000
Claims	2,854,212	-	2,854,212
Unrestricted	2,417,112	14,666,940	17,084,052
Total Net Assets	<u>\$ 157,057,539</u>	<u>\$ 102,319,843</u>	<u>\$ 259,377,382</u>

COMPONENT UNITS	
AIRPORT AUTHORITY	CONVENTION AND VISITORS' BUREAU
\$ 439,518	\$ 1,472,805
12,738	225,659
3,562	35,468
-	-
304,948	15,435
-	-
-	15,296
9,273	330
-	94,829
226,373	-
146,542	-
-	-
-	-
-	93,816
-	872
80,743	38,791
-	-
-	-
<u>1,223,697</u>	<u>1,993,301</u>
52,864	78,011
-	-
-	11,767
-	-
-	13,379
5,454	-
-	-
-	99,990
15,364	-
<u>651,467</u>	<u>75,630</u>
<u>725,149</u>	<u>278,777</u>
227,285	133,479
-	3,127
-	-
-	-
-	-
-	418,319
-	-
-	-
-	424,410
-	-
<u>271,263</u>	<u>735,189</u>
<u>\$ 498,548</u>	<u>\$ 1,714,524</u>

See accompanying notes

CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental Activities:				
General government	\$ 13,042,589	\$ 3,486,025	\$ 904,964	\$ -
Judicial	4,526,334	1,811,532	46,423	97,516
Public safety	27,388,924	832,339	986,339	-
Public works	10,017,131	246,581	917,149	2,087,300
Sanitation	1,972,849	4,902,844	6,380	-
Community support	991,673	1,825	165,029	-
Airport	124,386	-	81,069	209,513
Economic opportunity	560,255	-	196,589	-
Welfare	2,008,154	-	128,581	-
Health	2,781,546	323,538	1,218,904	-
Culture and recreation	9,056,223	1,283,107	436,697	424,701
Debt Service:				
Interest and fiscal charges	3,721,332	-	-	-
Total Governmental Activities	76,191,396	12,887,791	5,088,124	2,819,030
Business-Type Activities:				
Ambulance	3,444,369	4,036,969	-	-
Sewer	8,196,029	5,078,660	-	3,368,613
Water	9,996,906	9,023,248	-	1,618,779
Cemetery	206,709	115,220	-	-
Building Permits	1,581,943	1,273,027	-	-
Stormwater Drainage	880,387	1,017,917	-	-
Total Business-Type Activities	24,306,343	20,545,041	-	4,987,392
Total Primary Government	\$ 100,497,739	\$ 33,432,832	\$ 5,088,124	\$ 7,806,422
Component units:				
Airport Authority	\$ 494,571	\$ 256,380	\$ -	\$ 199,037
Convention and Visitors' Bureau	1,488,650	24,111	59,242	-
Total Component Units	\$ 1,983,221	\$ 280,491	\$ 59,242	\$ 199,037

General Revenues:
Property taxes
Sales taxes
Consolidated tax
Franchise taxes
Other taxes
Room taxes
Motor vehicle fuel tax
Grants and contributions not restricted to specific programs
Unrestricted investment income
Miscellaneous revenue
Transfers

Total General Revenues and Transfers

Change in Net Assets

NET ASSETS, JULY 1

NET ASSETS, JUNE 30

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AIRPORT AUTHORITY	CONVENTION AND VISITORS' BUREAU
\$ (8,651,600)	\$ -	\$ (8,651,600)	\$ -	\$ -
(2,570,863)	-	(2,570,863)	-	-
(25,570,246)	-	(25,570,246)	-	-
(6,766,101)	-	(6,766,101)	-	-
2,936,375	-	2,936,375	-	-
(824,819)	-	(824,819)	-	-
166,196	-	166,196	-	-
(363,666)	-	(363,666)	-	-
(1,879,573)	-	(1,879,573)	-	-
(1,239,104)	-	(1,239,104)	-	-
(6,911,718)	-	(6,911,718)	-	-
(3,721,332)	-	(3,721,332)	-	-
(55,396,451)	-	(55,396,451)	-	-
-	592,600	592,600	-	-
-	251,244	251,244	-	-
-	645,121	645,121	-	-
-	(91,489)	(91,489)	-	-
-	(308,916)	(308,916)	-	-
-	137,530	137,530	-	-
-	1,226,090	1,226,090	-	-
(55,396,451)	1,226,090	(54,170,361)	-	-
-	-	-	(39,154)	-
-	-	-	-	(1,405,297)
-	-	-	(39,154)	(1,405,297)
17,542,259	-	17,542,259	109,450	-
5,669,448	-	5,669,448	-	-
23,442,872	-	23,442,872	-	-
5,371,215	-	5,371,215	-	-
119,159	-	119,159	-	-
-	-	-	-	1,440,637
5,122,650	-	5,122,650	-	-
3,312	-	3,312	-	-
3,614,317	1,058,683	4,673,000	19,169	62,661
305,300	-	305,300	-	-
3,000,092	(3,000,092)	-	-	-
64,190,624	(1,941,409)	62,249,215	128,619	1,503,298
8,794,173	(715,319)	8,078,854	89,465	98,001
148,263,366	103,035,162	251,298,528	409,083	1,616,523
\$ 157,057,539	\$ 102,319,843	\$ 259,377,382	\$ 498,548	\$ 1,714,524

See accompanying notes.

**CARSON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	GENERAL	QUALITY OF LIFE
ASSETS		
Cash and investments	\$ 10,392,650	\$ 11,228,286
Receivables (net of allowances for uncollectibles):		
Taxes, delinquent	175,142	-
Accounts receivable	1,722,183	-
Interest	667,409	-
Due from other funds	-	-
Due from other governments	4,639,432	464,801
Due from component units	13,379	-
Inventories	2,753	-
Prepaid items	40,331	1,000
Restricted assets:		
Cash and investments	1,011,185	-
Total Assets	\$ 18,664,464	\$ 11,694,087
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 867,314	\$ 344,377
Accrued salaries and benefits	1,952,464	9,291
Payable from restricted assets	946,509	-
Due to other funds	-	-
Due to other governments	125,430	525
Due to component units	105,911	-
Other liabilities	132,449	-
Deferred revenue	202,829	-
Unearned revenue	14,575	-
Total Liabilities	4,347,481	354,193
Fund balances:		
Reserved for inventory	2,753	-
Reserved for gifts and donations	304,745	-
Reserved for administrative assessments	99,191	-
Reserved for courts	242,970	-
Reserved for technology	100,263	-
Reserved for prepaid items	40,331	1,000
Unreserved, reported in:		
General fund:		
Designated for subsequent year's expenditures	5,143,029	-
Undesignated	8,383,701	-
Special revenue funds:		
Designated for subsequent year's expenditures	-	617,079
Undesignated	-	10,721,815
Debt service funds:		
Designated for subsequent year's expenditures	-	-
Undesignated	-	-
Capital projects funds:		
Designated for subsequent year's expenditures	-	-
Undesignated	-	-
Total Fund Balances	14,316,983	11,339,894
Total Liabilities and Fund Balances	\$ 18,664,464	\$ 11,694,087

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 21,612,615	\$ 43,233,551
46,749	221,891
246,201	1,968,384
-	667,409
96,443	96,443
2,989,755	8,093,988
-	13,379
-	2,753
14,258	55,589
28,026	1,039,211
<u>\$ 25,034,047</u>	<u>\$ 55,392,598</u>
\$ 2,594,998	\$ 3,806,689
88,536	2,050,291
28,026	974,535
96,443	96,443
348,734	474,689
214,472	320,383
-	132,449
36,512	239,341
132,135	146,710
<u>3,539,856</u>	<u>8,241,530</u>
-	2,753
-	304,745
-	99,191
-	242,970
-	100,263
14,258	55,589
-	5,143,029
-	8,383,701
13,859,351	14,476,430
3,167,593	13,889,408
1,259,329	1,259,329
24,354	24,354
73,552	73,552
3,095,754	3,095,754
21,494,191	47,151,068
<u>\$ 25,034,047</u>	<u>\$ 55,392,598</u>

See accompanying notes.

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**CARSON CITY, NEVADA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

Fund Balances - Governmental Funds (pages 8-9)		\$ 47,151,068
<p>Amounts reported for governmental activities in the statement of net assets (pages 4-5) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 245,131,383	
Less: Accumulated depreciation	<u>(54,127,478)</u>	
		191,003,905
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
General obligation revenue bonds payable	(72,462,454)	
Notes payable	(3,847,078)	
Revenue bonds payable	(4,915,000)	
Loss on bond refunding	885,359	
Less: current year amortization	(102,448)	
Issuance discount	178,329	
Less: current year amortization	(10,043)	
Issuance premium	(541,034)	
Less: current year amortization	29,421	
Deferred charge for issuance costs	1,048,435	
Less: current year amortization	(58,600)	
Capital leases payable	(100,363)	
Landfill closure / post closure costs	(2,738,345)	
Compensated absences	<u>(3,772,163)</u>	
		(86,405,984)
Interest payable		(582,350)
<p>Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.</p>		
		239,341
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. Net assets of the internal service funds are reported with governmental activities.</p>		
		5,439,607
<p>Internal balances are receivable from business-type activities.</p>		
		<u>211,952</u>
Net Assets - Governmental Activities (pages 4-5)		<u>\$ 157,057,539</u>

See accompanying notes.

CARSON CITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	QUALITY OF LIFE
Revenues:		
Taxes	\$ 13,359,942	\$ 2,266,502
Licenses and permits	7,089,496	-
Intergovernmental revenues	24,032,491	235,697
Charges for services	12,894,369	-
Fines and forfeits	938,827	-
Miscellaneous	2,099,668	789,515
	60,414,793	3,291,714
Total Revenues		
Expenditures:		
Current:		
General government	12,815,887	-
Public safety	24,399,880	-
Judicial	4,359,077	-
Public works	2,721,453	-
Sanitation	3,386,664	-
Health	1,438,787	-
Welfare	357,864	-
Culture and recreation	6,019,861	8,625,912
Community support	419,499	-
Airport	-	-
Economic opportunity	329,432	-
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
	56,248,404	8,625,912
Total Expenditures		
Excess (Deficiency) of Revenues over Expenditures	4,166,389	(5,334,198)
Other Financing Sources (Uses):		
Capital leases	11,228	-
Transfers in	1,850,780	-
Transfers out	(3,386,134)	(1,114,538)
	(1,524,126)	(1,114,538)
Total Other Financing Sources (Uses)		
Net Change in Fund Balances	2,642,263	(6,448,736)
Fund Balances, July 1	11,674,720	17,788,630
Fund Balances, June 30	\$ 14,316,983	\$ 11,339,894

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 11,175,104	\$ 26,801,548
250	7,089,746
6,608,379	30,876,567
428,379	13,322,748
84,632	1,023,459
1,676,761	4,565,944
<hr/>	<hr/>
19,973,505	83,680,012
<hr/>	<hr/>
1,698,366	14,514,253
1,554,502	25,954,382
345,866	4,704,943
14,358,497	17,079,950
-	3,386,664
1,188,937	2,627,724
1,653,486	2,011,350
948,418	15,594,191
151,417	570,916
579,295	579,295
279,744	609,176
4,084,369	4,084,369
3,038,832	3,038,832
3,651,174	3,651,174
<hr/>	<hr/>
33,532,903	98,407,219
<hr/>	<hr/>
(13,559,398)	(14,727,207)
<hr/>	<hr/>
-	11,228
11,101,813	12,952,593
(4,263,148)	(8,763,820)
<hr/>	<hr/>
6,838,665	4,200,001
<hr/>	<hr/>
(6,720,733)	(10,527,206)
<hr/>	<hr/>
28,214,924	57,678,274
<hr/>	<hr/>
\$ 21,494,191	\$ 47,151,068
<hr/> <hr/>	<hr/> <hr/>

See accompanying notes.

**CARSON CITY, NEVADA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Governmental Funds (pages 11-12) \$ (10,527,206)

Amounts reported for governmental activities in the statement of activities (pages 6-7) are different because:

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

Expenditures for capital assets	\$ 21,855,917	
Contributions of capital assets from business-type activities	1,800,908	
Donated capital assets	2,047,952	
Contributions of capital assets from internal service funds	18,377	
Sale/disposition of assets	(571,272)	
Less: Current year depreciation	<u>(6,412,925)</u>	18,738,957

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Change in deferred revenue	(154,962)
----------------------------	-----------

Bond and note proceeds and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which bonds and notes issued and capital lease financing exceeded repayments and costs of issuance.

Capital lease financing	(11,228)	
Transfer of long-term liabilities from business-type activities	(2,711,089)	
Accrued interest	(582,350)	
Capital lease payments	31,312	
Interest payments	895,943	
Principal payments	<u>3,038,832</u>	661,420

Some 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.

Amortization of loss on bond refunding	(102,448)	
Amortization of issuance costs	(58,600)	
Amortization of bond discounts	(10,043)	
Amortization of bond premiums	29,421	
Change in long-term landfill closure / post closure	(220,029)	
Change in long-term compensated absences	<u>(210,821)</u>	(572,520)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities.

648,484

Change in Net Assets of Governmental Activities (pages 6-7) \$ 8,794,173

See accompanying notes.

**CARSON CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 12,915,000	\$ 12,915,000	\$ 13,359,942	\$ 444,942
Licenses and permits	7,563,200	7,563,200	7,089,496	(473,704)
Intergovernmental revenues	27,105,351	27,148,095	24,032,491	(3,115,604)
Charges for services	8,193,824	13,428,806	12,894,369	(534,437)
Fines and forfeits	858,000	878,000	938,827	60,827
Miscellaneous	888,500	1,237,849	2,099,668	861,819
Total Revenues	<u>57,523,875</u>	<u>63,170,950</u>	<u>60,414,793</u>	<u>(2,756,157)</u>
Expenditures:				
Current:				
General government	13,456,309	13,681,001	12,815,887	865,114
Public safety	25,306,639	25,360,901	24,399,880	961,021
Judicial	4,196,066	4,415,558	4,359,077	56,481
Public works	3,089,941	3,089,941	2,721,453	368,488
Sanitation	-	3,576,822	3,386,664	190,158
Health	1,430,055	1,708,201	1,438,787	269,414
Welfare	357,864	357,864	357,864	-
Culture and recreation	6,526,101	6,714,828	6,019,861	694,967
Community support	347,950	461,498	419,499	41,999
Economic opportunity	341,702	7,191,274	329,432	6,861,842
Total Expenditures	<u>55,052,627</u>	<u>66,557,888</u>	<u>56,248,404</u>	<u>10,309,484</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,471,248</u>	<u>(3,386,938)</u>	<u>4,166,389</u>	<u>7,553,327</u>
Other Financing Sources (Uses):				
Capital leases	-	11,228	11,228	-
Transfers in	198,448	1,914,998	1,850,780	(64,218)
Transfers out	(3,488,277)	(3,850,531)	(3,386,134)	464,397
Contingency	(500,000)	(500,000)	-	500,000
Total Other Financing Sources (Uses)	<u>(3,789,829)</u>	<u>(2,424,305)</u>	<u>(1,524,126)</u>	<u>900,179</u>
Net Change in Fund Balances	<u>(1,318,581)</u>	<u>(5,811,243)</u>	<u>2,642,263</u>	<u>8,453,506</u>
Fund Balances, July 1	<u>5,885,581</u>	<u>11,674,720</u>	<u>11,674,720</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,567,000</u>	<u>\$ 5,863,477</u>	<u>\$ 14,316,983</u>	<u>\$ 8,453,506</u>

See accompanying notes.

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**CARSON CITY
QUALITY OF LIFE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Taxes	\$ 2,634,350	\$ 2,634,350	\$ 2,266,502	\$ (367,848)
Intergovernmental revenues	-	403,945	235,697	(168,248)
Miscellaneous	100,000	117,248	789,515	672,267
Total Revenues	<u>2,734,350</u>	<u>3,155,543</u>	<u>3,291,714</u>	<u>136,171</u>
Expenditures:				
Current:				
Culture and recreation	<u>1,370,646</u>	<u>19,251,997</u>	<u>8,625,912</u>	<u>10,626,085</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,363,704</u>	<u>(16,096,454)</u>	<u>(5,334,198)</u>	<u>10,762,256</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,188,256)</u>	<u>(1,188,256)</u>	<u>(1,114,538)</u>	<u>73,718</u>
Net Change in Fund Balances	175,448	(17,284,710)	(6,448,736)	10,835,974
Fund Balances, July 1	<u>328,472</u>	<u>17,788,630</u>	<u>17,788,630</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 503,920</u>	<u>\$ 503,920</u>	<u>\$ 11,339,894</u>	<u>\$ 10,835,974</u>

See accompanying notes.

**CARSON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008
(PAGE 1 OF 2)**

BUSINESS-TYPE ACTIVITIES -

	<u>SEWER</u>	<u>WATER</u>
ASSETS		
Current assets (unrestricted):		
Cash and investments	\$ 3,197,183	\$ 11,632,196
Receivables:		
Accounts and contracts, net	447,555	936,747
Due from other governments	672,991	44,330
Inventories	-	272,350
Prepaid items	673	2,396
Total Current Assets (Unrestricted)	<u>4,318,402</u>	<u>12,888,019</u>
Current assets (restricted):		
Cash and investments	<u>254,426</u>	<u>93,778</u>
Total Current Assets	<u>4,572,828</u>	<u>12,981,797</u>
Noncurrent assets:		
Other assets	<u>61,705</u>	<u>254,285</u>
Capital assets:		
Land	757,704	454,092
Buildings	10,530,285	1,816,447
Improvements other than buildings	88,780,057	65,127,168
Machinery and equipment	3,805,804	2,121,961
Water rights	-	8,019,152
Construction in progress	<u>9,008,347</u>	<u>6,790,734</u>
Less: Accumulated depreciation	<u>112,882,197</u> <u>(42,325,764)</u>	<u>84,329,554</u> <u>(25,153,264)</u>
Net Capital Assets	<u>70,556,433</u>	<u>59,176,290</u>
Total Noncurrent Assets	<u>70,618,138</u>	<u>59,430,575</u>
Total Assets	<u>75,190,966</u>	<u>72,412,372</u>

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 1,446,775	\$ 16,276,154	\$ 5,823,171
2,069,533	3,453,835	304,244
82	717,403	-
21,897	294,247	75,322
1,618	4,687	575,144
<u>3,539,905</u>	<u>20,746,326</u>	<u>6,777,881</u>
-	348,204	-
<u>3,539,905</u>	<u>21,094,530</u>	<u>6,777,881</u>
<u>110,013</u>	<u>426,003</u>	<u>-</u>
1,858,218	3,070,014	-
354,931	12,701,663	-
2,823,983	156,731,208	-
2,016,479	7,944,244	22,791
-	8,019,152	-
2,750,868	18,549,949	-
<u>9,804,479</u>	<u>207,016,230</u>	<u>22,791</u>
<u>(955,926)</u>	<u>(68,434,954)</u>	<u>(15,720)</u>
<u>8,848,553</u>	<u>138,581,276</u>	<u>7,071</u>
<u>8,958,566</u>	<u>139,007,279</u>	<u>7,071</u>
<u>12,498,471</u>	<u>160,101,809</u>	<u>6,784,952</u>

See accompanying notes.

CARSON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008
(PAGE 2 OF 2)

BUSINESS-TYPE ACTIVITIES -

	SEWER	WATER
LIABILITIES		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 608,641	\$ 542,201
Accrued salaries and benefits	44,167	50,346
Accrued interest	169,138	163,642
Due to other governments	-	381,816
Unearned revenue	-	-
Other current liabilities	-	-
Current portion:		
Commitments payable	-	15,305
General obligation bonds and notes payable	1,343,116	1,745,000
	1,343,116	1,745,000
Total Current Liabilities Payable from Unrestricted Assets	2,165,062	2,898,310
Current liabilities payable from restricted assets:		
Construction contracts, retained percent	245,913	78,790
Connection deposits	8,513	14,988
	245,913	78,790
Total Current Liabilities Payable from Restricted Assets	254,426	93,778
Total Current Liabilities	2,419,488	2,992,088
Noncurrent liabilities:		
Accrued compensated absences	177,659	154,897
Other liabilities	-	97,511
General obligation bonds and notes payable	14,072,880	31,490,083
	14,072,880	31,490,083
Total Noncurrent Liabilities	14,250,539	31,742,491
Total Liabilities	16,670,027	34,734,579
NET ASSETS		
Invested in capital assets, net of related debt	54,435,283	29,307,034
Unrestricted	4,085,656	8,370,759
	4,085,656	8,370,759
Total Net Assets	\$ 58,520,939	\$ 37,677,793

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business - type activities

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 153,144	\$ 1,303,986	\$ 498,601
91,269	185,782	34,248
16,993	349,773	-
6,261	388,077	33,328
272,455	272,455	1,210
-	-	577,511
-	15,305	-
225,000	3,313,116	-
765,122	5,828,494	1,144,898
-	324,703	-
-	23,501	-
-	348,204	-
765,122	6,176,698	1,144,898
238,200	570,756	126,435
-	97,511	74,012
5,162,086	50,725,049	-
5,400,286	51,393,316	200,447
6,165,408	57,570,014	1,345,345
3,910,586	87,652,903	7,071
2,422,477	14,878,892	5,432,536
\$ 6,333,063	102,531,795	\$ 5,439,607
	(211,952)	
	\$ 102,319,843	

See accompanying notes.

CARSON CITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	BUSINESS-TYPE ACTIVITIES -	
	SEWER	WATER
Operating Revenues:		
Charges for services	\$ 5,074,830	\$ 9,023,177
Operating Expenses:		
Salaries and wages	1,233,760	1,373,165
Employee benefits	404,288	467,487
Services and supplies	3,201,209	4,511,585
Depreciation	2,685,925	2,016,590
Total Operating Expenses	7,525,182	8,368,827
Operating Income (Loss)	(2,450,352)	654,350
Nonoperating Revenues (Expenses):		
Investment income	163,770	796,056
Intergovernmental revenues	2,609,579	161,434
Miscellaneous	3,830	71
Interest expense	(640,813)	(1,483,923)
Gain (loss) on sales of capital assets	(8,889)	(35,606)
Arbitrage rebate	-	(94,989)
Bond issuance costs	(4,878)	(24,943)
Total Nonoperating Revenues (Expenses)	2,122,599	(681,900)
Income (Loss) Before Contributions and Transfers	(327,753)	(27,550)
Capital Contributions:		
Developers	289,731	994,475
Connection fees	469,303	462,870
Total Capital Contributions	759,034	1,457,345
Transfers In	-	-
Transfers Out	-	-
Total Transfers	-	-
Change in Net Assets	431,281	1,429,795
Net Assets, July 1	58,089,658	36,247,998
Net Assets, June 30	\$ 58,520,939	\$ 37,677,793

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business - type activities

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 6,287,783	\$ 20,385,790	\$ 10,950,921
2,051,464	4,658,389	569,594
1,041,346	1,913,121	185,454
2,499,888	10,212,682	10,041,664
243,370	4,945,885	1,729
5,836,068	21,730,077	10,798,441
451,715	(1,344,287)	152,480
98,857	1,058,683	362,967
-	2,771,013	-
155,350	159,251	169,484
(208,663)	(2,333,399)	-
(77,800)	(122,295)	226,631
-	(94,989)	-
(6,471)	(36,292)	-
(38,727)	1,401,972	759,082
412,988	57,685	911,562
-	1,284,206	-
-	932,173	-
-	2,216,379	-
317,843	317,843	-
(3,291,804)	(3,291,804)	(278,500)
(2,973,961)	(2,973,961)	(278,500)
(2,560,973)	(699,897)	633,062
8,894,036		4,806,545
\$ 6,333,063		\$ 5,439,607
	(15,422)	
	\$ (715,319)	

See accompanying notes.

**CARSON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(PAGE 1 OF 2)**

	BUSINESS-TYPE ACTIVITIES -	
	SEWER	WATER
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 5,856,911	\$ 8,859,716
Cash payments for personnel costs	(1,608,940)	(1,818,353)
Cash payments for services and supplies	(3,139,938)	(4,334,856)
Miscellaneous cash received	3,830	71
	1,111,863	2,706,578
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	-	-
Transfer to other funds	-	-
	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sales of capital assets	-	-
Connection fees	469,306	462,870
Acquisition of capital assets	(5,708,917)	(4,289,703)
Principal paid on capital debt	(1,287,471)	(1,665,000)
Interest paid on capital debt	(662,941)	(1,440,752)
Bond issuance costs	(437)	(2,737)
Subsidy from grant	2,609,579	939,293
	(4,580,881)	(5,996,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	163,770	796,056
	163,770	796,056
Net Increase (Decrease) in Cash and Cash Equivalents	(3,305,248)	(2,493,395)
Cash and Cash Equivalents, July 1	6,756,857	14,219,369
Cash and Cash Equivalents, June 30	\$ 3,451,609	\$ 11,725,974
Represented by:		
Current Assets:		
Cash and investments (unrestricted)	\$ 3,197,183	\$ 11,632,196
Cash and investments (restricted)	254,426	93,778
	\$ 3,451,609	\$ 11,725,974

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 5,504,209	\$ 20,220,836	\$ 10,986,536
(3,063,420)	(6,490,713)	(741,768)
(2,621,985)	(10,096,779)	(10,176,529)
155,350	159,251	169,484
(25,846)	3,792,595	237,723
317,843	317,843	-
(4,105,681)	(4,105,681)	(278,500)
(3,787,838)	(3,787,838)	(278,500)
-	-	245,008
-	932,176	-
(872,988)	(10,871,608)	(5,502)
(220,000)	(3,172,471)	-
(210,512)	(2,314,205)	-
-	(3,174)	-
-	3,548,872	-
(1,303,500)	(11,880,410)	239,506
98,857	1,058,683	362,967
(5,018,327)	(10,816,970)	561,696
6,465,102	27,441,328	5,261,475
\$ 1,446,775	\$ 16,624,358	\$ 5,823,171
\$ 1,446,775	\$ 16,276,154	\$ 5,823,171
-	348,204	-
\$ 1,446,775	\$ 16,624,358	\$ 5,823,171

See accompanying notes.

**CARSON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008
(PAGE 2 OF 2)**

BUSINESS-TYPE ACTIVITIES -

	<u>SEWER</u>	<u>WATER</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (2,450,352)	\$ 654,350
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,685,925	2,016,590
Provision for uncollectible accounts	-	-
Nonoperating revenues	3,830	71
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(86,316)	(161,852)
Due from other governments	869,072	(1,609)
Inventories	-	10,017
Prepaid items	(612)	(1,081)
Increase (decrease) in:		
Accounts payable	62,724	(57,197)
Accrued salaries and benefits	9,951	3,447
Due to other governments	(841)	224,765
Unearned revenue	-	-
Connection deposits	(675)	225
Accrued compensated absences	19,157	18,852
Other liabilities	-	-
Total Adjustments	<u>3,562,215</u>	<u>2,052,228</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,111,863</u>	<u>\$ 2,706,578</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Purchase of capital assets on account	\$ 459,241	\$ 177,268
Purchase of capital assets due to other governments	-	3,586
Retainage payable on construction of capital assets	245,913	78,790
Transfer of net capital assets to governmental activities	-	-
Transfer of long-term liabilities to governmental activities	-	-
Transfer of excess noncash current assets over current liabilities to governmental activities	-	-

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 451,715	\$ (1,344,287)	\$ 152,480
243,370	4,945,885	1,729
117,138	117,138	-
155,350	159,251	169,484
(899,725)	(1,147,893)	58,072
(82)	867,381	16,188
(425)	9,592	13,437
(1,308)	(3,001)	(39,631)
(119,039)	(113,512)	(174,766)
26,628	40,026	16,312
(1,325)	222,599	33,328
(905)	(905)	663
-	(450)	-
2,762	40,771	(3,032)
-	-	(6,541)
(477,561)	5,136,882	85,243
\$ (25,846)	\$ 3,792,595	\$ 237,723

\$ 33,500	\$ 670,009	\$ -
-	3,586	-
-	324,703	-
1,774,778	1,774,778	-
2,711,089	2,711,089	-
122,434	122,434	-

See accompanying notes.

**CARSON CITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	INVESTMENT TRUST FUND	AGENCY FUNDS
ASSETS		
Cash and investments		
Unrestricted	\$ 3,916,301	\$ 6,317,986
Restricted	-	300,000
Accounts receivable	-	50
Taxes receivable, delinquent	-	220,311
Due from other governments	-	2,397,579
Prepaid items	-	8,852
	3,916,301	9,244,778
LIABILITIES		
Accounts payable	-	1,144,056
Due to other governments	-	8,091,625
Other liabilities	-	9,097
	-	9,244,778
NET ASSETS		
Held in trust for pool participants	\$ 3,916,301	\$ -

See accompanying notes.

CARSON CITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	INVESTMENT TRUST FUND
ADDITIONS	
Investment income	\$ 376,098
Capital share transactions:	
Shares sold	6,372,611
Total Additions	6,748,709
DEDUCTIONS	
Capital share transactions:	
Shares redeemed	6,471,587
Change in Net Assets	277,122
Net Assets, July 1	3,639,179
Net Assets, June 30	\$ 3,916,301

See accompanying notes.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Carson City is a consolidated municipality governed by an elected mayor and a four-member board, which comprise the Board of Supervisors. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and, therefore, data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year end.

BLENDED COMPONENT UNIT. The Redevelopment Authority is governed by a board comprised of the City's elected Board of Supervisors. The ad valorem tax rates and bond issuance authorizations are approved by the Redevelopment Authority and the Board of Supervisors and the legal liability for the general obligation portion of the Authority's debt remains with the City. The financial statements of the Authority are reported as special revenue, debt service and capital projects funds.

DISCRETELY PRESENTED COMPONENT UNITS. The Carson City Convention and Visitors' Bureau is responsible for the promotion of tourism in Carson City. The members of the Bureau's governing board are appointed by the Board of Supervisors. The Bureau is fiscally dependent upon the City since the Board of Supervisors sets the room tax rates and must approve any general obligation debt issuances. The Convention and Visitors' Bureau is presented as a governmental fund type.

The Carson City Airport Authority is responsible for the operations of the Carson City Airport. The members of the Authority are appointed by the Board of Supervisors. The Authority is fiscally dependent upon the City since the Board of Supervisors is the recognized grantee for any Federal Aviation Administration grants awarded on behalf of the Authority and any property tax levies must be approved by the Board of Supervisors. The Authority is presented as a governmental fund type.

Complete financial statements for each of the discretely presented component units may be obtained at the entity's administrative offices.

Carson City Convention and Visitors' Bureau
1900 South Carson Street
Carson City, Nevada

Carson City Airport Authority
2600 East Graves Lane, Suite 6
Carson City, Nevada

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements – 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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.

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Carson City considers all revenues 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.

Property taxes, consolidated taxes, franchise fees, motor vehicle fuel taxes, 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.

Shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government 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 required to be accounted for in another fund.

The *Quality of Life Fund* accounts for the voter approved one-quarter percent sales tax for the purpose of acquiring open space and the construction and maintenance of park and trail facilities.

The government reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the sewer services provided to the residents of Carson City.

The *Water Fund* accounts for the activities of the water services provided to the residents of Carson City.

Additionally, the government reports the following fund types:

Internal service funds account for group medical insurance, workers' compensation, liability and property insurance, and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The *Investment Trust Fund* accounts for the external portion of the investment pool administered by the City.

Agency funds are used to account for assets held by the City in a purely custodial capacity for other organizations or governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows presented for proprietary funds, cash equivalents are defined as short-term, highly liquid investments, generally with original maturities of three months or less. Since all cash in proprietary funds is pooled with the rest of the City's cash and is available upon demand, all cash and investments in those funds are considered cash equivalents. The City considers cash purchases and sales of the following types of investments as part of its cash management program rather than part of its operating, capital, investing, and financing activities.

Pursuant to NRS 355.170 and 355.167, Carson City may only invest in the following types of securities:

- a) United States bonds and debentures maturing within ten (10) years from the date of purchase.
- b) Certain farm loan bonds.
- c) Bills and notes of the United States Treasury and obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government maturing within ten (10) years from the date of purchase.
- d) Negotiable and non-negotiable certificates of deposit from commercial banks and insured credit unions or savings and loan associations.
- e) Certain securities issued by local governments of the State of Nevada.
- f) Other securities expressly provided by other Statutes, including repurchase agreements.
- g) State of Nevada Local Government Investment Pool.
- h) Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.

Investments are reported at fair value.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

2. Investment Pool Investment Income

Interest income is recorded on the accrual basis in the investment pool. Net realized gains (losses) on investments are the sum of differences between the cost (if purchased during the fiscal year) or the fair value of the investment at the beginning of the year, and the net selling price received for investments that are sold or matured.

The net increase (decrease) in fair value of investments in the investment pool is the difference between the cost (if purchased during the fiscal year) or the fair value of the investments at the beginning of the year, and the fair value of the investments at the end of the year.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Operating appropriations and subsidies are accounted for as transfers in the funds involved.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All funds employ the allowance method of recognizing bad debts. Management does not anticipate any material collection losses with respect to its accounts receivable balances in any fund, except the Ambulance Fund; and, therefore, the allowance in those funds is zero.

The Ambulance Fund accounts receivable are presented net of the allowance for uncollectible accounts. The allowance for uncollectible accounts for the year ended June 30, 2008 was \$2,691,841.

Property taxes are levied as of July 1 on property values assessed the previous December. Taxes may be paid in four installments on the third Monday in August and the first Mondays in October, January, and March. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. On the first Monday in June, if the taxes remain unpaid, a Treasurer's Trustee Certificate is issued conveying the property to the Treasurer as Trustee, constituting a lien for back taxes and accumulated delinquency charges. A two year redemption period begins after the certificate placing such property in trust is issued. 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. For property with taxes remaining unpaid at the end of the two year redemption period, Carson City may take a deed to the property and proceed to a tax sale. Secured roll property taxes receivable reflect only those taxes receivable from the delinquent roll years. No provision for uncollectible accounts has been established since management does not anticipate any material collection losses in respect to the remaining balances.

Accounts receivable for the discretely presented component units do not reflect an allowance for uncollectible accounts. The managements of the respective entities do not anticipate any material collection losses with respect to accounts receivable balances.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. Inventories and Prepaid Items

The City's policy is to value inventories in Governmental Funds at cost using the average cost method, while Enterprise Fund inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

5. Restricted Assets

Certain assets of Carson City's General Fund and Commissary Special Revenue Fund are classified as restricted assets because their use is restricted as the amounts are held for others.

Amounts for connection deposits and construction contract retentions in the Sewer and Water Enterprise Funds are restricted given contractual requirements.

6. Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements, machinery and 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 initial, individual cost of more than \$5,000 and an estimated useful life of at least one year. 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements other than buildings	30-45
Machinery and equipment	5-10
Infrastructure	15-50

7. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. For current and advanced refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays 33-1/3 percent of a portion of the employee's unused sick leave at time of employee termination if provided for in the applicable Employee Association contract. Vacation pay and sick leave payoff are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Connection Fees

It is the policy of the Board of Supervisors that new users hooking up to the water and sewer systems pay a "pro rata" share of the cost of the existing systems as calculated on the basis of "Equivalent Residential Customers." To this end, a connection fee is charged for new hookups to the water and sewer systems and the amounts are reported as capital contributions.

9. Equity Classifications

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent the estimated opening fund balance in the City's 2008-2009 final budget. The undesignated fund balance represents the amount by which the actual ending fund balance exceeded the reservations and designations.

10. Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations for the funds. Also, certain amounts presented in prior year data have been reclassified in order to be consistent with current year's presentation.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds. All annual appropriations lapse at fiscal year end.

On or before mid-February of each year, all agencies of the City must submit requests for appropriations to the Internal Finance Committee comprised of the City Manager, Finance Director, Deputy Finance Director and Treasurer in order that a budget may be prepared. Before April 15th, a tentative budget is submitted to the Board of Supervisors, the Redevelopment Authority, and the State of Nevada. The City then holds a series of public hearings and a final budget must be prepared and adopted no later than June 1st. The appropriated budget is prepared by fund, function and department. The City's department heads may request transfers of appropriations within the department's budget categories. Transfers of appropriations between department categories or functions within a fund may be made with the City Manager's approval. Transfers of appropriations between funds, from contingency accounts, or increases in budget appropriations require the approval of the Board of Supervisors or Redevelopment Authority. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for governmental funds and the sum of operating and nonoperating expenses in the proprietary funds. There are no budgetary restrictions in the debt service funds regarding expenditures related to payments of principal and interest on long-term debt. The Board made several supplemental budgetary appropriations throughout the year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The City conformed to all significant statutory constraints on its financial administration during the fiscal year.

C. SHORTFALL IN RESERVED AND UNRESERVED/DESIGNATED FUND BALANCES

The Traffic Transportation, Redevelopment Administration, and V & T Special Infrastructure Special Revenue Funds' fund balances were insufficient to cover the budgeted July 1, 2008 opening fund balance by \$5,188, \$30,414, and \$42,026, respectively.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At year end, the City's carrying amount of deposits was \$2,692,042 and the bank balance was \$4,143,633. All of the bank balance was covered by FDIC, SIPC, or collateralized by the Office of the State Treasurer / Nevada Collateral Pool.

The carrying amount of deposits for discretely presented component units was \$592,775 and the bank balance was \$766,508. All of the bank balance was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name, with the exception of \$472,902 which was uninsured and uncollateralized.

The City has a formal investment policy to establish guidelines for the prudent investment of City funds. Funds of the City will be invested in compliance with the provisions of Nevada Revised Statutes, Chapters 355.167 through 355.200, and other applicable statutes. Allowable investments are described in Note 1.D.1.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

At year end, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasuries	\$33,515,726	\$26,228,030	\$ 5,105,036	\$2,182,660	\$ -
U.S. Agencies	24,622,187	2,037,189	20,164,121	1,524,512	896,365
Corporate Bonds	10,454,961	154,878	6,645,179	101,350	3,553,554
Money Market Mutual Fund	2,864,057	2,864,057	-	-	-
State of Nevada: Local Government Investment Pool	<u>3,102,554</u>	<u>3,102,554</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$74,559,485</u>	<u>\$34,386,708</u>	<u>\$31,914,336</u>	<u>\$3,808,522</u>	<u>\$4,449,919</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states that portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. To this end, portfolio management procedures will provide for the projection of a "minimum liquidity requirement" for the City's operating fund.

The following procedures will be applied:

- **Minimum Liquidity Requirement:** This is defined as the total cash flow needed to pay City obligations for a period of four weeks. All securities to be included in the "minimum liquidity requirement" must mature within 28 days.
- **Intermediate Market Investment:** That portion of City funds remaining after deletion of the "minimum liquidity requirement" may be invested in the intermediate market, defined herein as instruments maturing between zero and ten years.
- **No U.S. bonds, debentures, bills, notes, agency obligations or securities purchased may have a maturity date of more than 10 years from the date of purchase with the exception of investments with the State of Nevada - NVEST.**

Credit Risk. Funds invested with the State of Nevada Treasurer in the Local Government Investment Pool or NVEST portfolios may be invested as permitted by Nevada Revised Statutes. City policy does not further restrict these investments. As of June 30, 2008, the City's investments in U.S Agencies were rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the State of Nevada Local Government Investment Pool is an unrated external investment pool with an average duration of 78 days. Of the City's investments in corporate bonds, \$4,989,396 was rated AAA, \$1,679,835 was rated AA, \$2,622,428 was rated A and \$1,163,302 was unrated.

Concentration of Credit Risk. The City's investment policy states that no more than 20% of the total book value of the portfolio will be invested in a single security type with the exception of U.S. Treasury and government agency securities.

At June 30, 2008 the following investments exceeded 5% of the City's total:

Federal Home Loan Bank	\$12,874,071	17.27%
Federal National Mortgage Association	5,165,780	6.93%
Federal Home Loan Mortgage Corporation	5,098,764	6.84%

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

At year end, the component units' investments and maturities were as follows:

	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
State of Nevada Local Government Investment Pool	<u>\$1,410,153</u>	<u>\$1,410,153</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets for the primary government follows:

Cash on hand	\$ 5,989
Carrying amount of deposits	2,692,042
Carrying amount of investments	<u>74,559,485</u>
	77,257,516
Less: Carrying amount of deposits held for component unit	<u>(2,938)</u>
	<u>\$77,254,578</u>
Cash and investments – governmental activities	\$49,056,722
Cash and investments – business-type activities	16,276,154
Cash and investments – investment trust fund	3,916,301
Cash and investments – agency funds	6,317,986
Cash and investments – restricted	<u>1,687,415</u>
	<u>\$77,254,578</u>

The State of Nevada Local Government Investment Pool is an external pool administered by the State Treasurer, with oversight by the State of Nevada Board of Finance.

Carson City administers an external investment pool combining Carson City money with involuntary investments from the Carson City School District. Each participant's share is equal to their original investment plus or minus monthly allocation of interest income and realized and unrealized gains and losses. The fair value of Carson City's investments is determined annually. The determination of realized gains and losses is independent of the determination of the net change in the fair value of investments and realized gains and losses on investments that were held by the governmental entity during a previous accounting period(s) but sold during the current period were used to compute the change in the fair value of investments for the previous year(s) as well as the current year. The participant's share and redemption value are calculated using the same method. The Board of Supervisors has overall responsibility for investment of City funds, including the Investment Trust Fund, in accordance with NRS 355.175. The Carson City Chief Investment Official is the Carson City Treasurer, under authority delegated by the Board of Supervisors. The City has not provided or obtained any legally binding guarantees during the period to support the value of shares. The external investment pool is not registered with the SEC as an investment company.

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Summary of investments held in the external investment pool at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal Amount/ Number of Shares</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
U.S. Treasuries	\$33,515,726	\$33,005,000	2.125-13.25%	08/15/2008- 05/31/2013
U.S. Agencies	24,622,187	24,204,336	2.875-6.642%	4/15/2009- 06/15/2024
Corporate Bonds	10,454,961	10,419,458	3.58-9.75%	02/01/2009- 03/12/2044
Money Market Mutual Fund	2,864,057	2,864,057	2.14%	07/01/2008
State of Nevada Local Government Investment Pool	<u>3,102,554</u>	3,102,554 Shares	Variable	7/1/2008
Total Pooled Investments	<u>\$74,559,485</u>			

External Investment Pool financial statements:

Statement of Net Assets, June 30, 2008

Assets:

Investments in securities:

U.S. Treasuries	\$33,515,726
U.S. Agencies	24,622,187
Corporate Bonds	10,454,961
Money Market Mutual Fund	2,864,057
State of Nevada Local Government Investment Pool	3,102,554
Interest receivable	<u>663,058</u>

Total Assets \$75,222,543

Net assets consist of:

Internal participants	\$71,306,242
External participants	<u>3,916,301</u>

Total Net Assets Held in Trust for Pool Participants
(Participant units outstanding, \$1.00/par) \$75,222,543

Statement of Changes in Net Assets, Year Ended June 30, 2008

Additions:

Investment income \$ 5,457,651

Capital share transactions (30,653,782)

Total Decrease (25,196,131)

Net assets:

Beginning of Year 100,418,674

End of Year \$ 75,222,543

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

B. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Increases	Decreases	Transfers	Balance June 30, 2008
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 29,208,402	\$ 5,567,130	\$ -	\$ 15,520	\$ 34,791,052
Construction in progress – infrastructure	2,851,150	6,993,043	(321,535)	(937,125)	8,585,533
Construction in progress	<u>11,144,673</u>	<u>667,484</u>	<u>(27,049)</u>	<u>(10,184,837)</u>	<u>1,600,271</u>
Total Capital Assets not being Depreciated	<u>43,204,225</u>	<u>13,227,657</u>	<u>(348,584)</u>	<u>(11,106,442)</u>	<u>44,976,856</u>
Capital assets, being depreciated:					
Buildings	59,602,001	3,688,515	(115,120)	9,567,161	72,742,557
Improvements other than buildings	24,223,570	1,298,881	-	473,348	25,995,799
Machinery and equipment	22,306,452	3,540,867	(1,036,652)	2,297,652	27,108,319
Infrastructure	<u>70,947,432</u>	<u>2,196,805</u>	<u>-</u>	<u>1,186,406</u>	<u>74,330,643</u>
Total Capital Assets being Depreciated	<u>177,079,455</u>	<u>10,725,068</u>	<u>(1,151,772)</u>	<u>13,524,567</u>	<u>200,177,318</u>
Less accumulated depreciation for:					
Buildings	(12,337,882)	(1,200,779)	6,907	(11,890)	(13,543,644)
Improvements other than buildings	(10,943,585)	(671,258)	-	-	(11,614,843)
Machinery and equipment	(11,590,912)	(1,955,910)	878,823	(605,327)	(13,273,326)
Infrastructure	<u>(13,124,678)</u>	<u>(2,586,707)</u>	<u>-</u>	<u>-</u>	<u>(15,711,385)</u>
Total Accumulated Depreciation	<u>(47,997,057)</u>	<u>(6,414,654)</u>	<u>885,730</u>	<u>(617,217)</u>	<u>(54,143,198)</u>
Total Capital Assets being Depreciated, Net	<u>129,082,398</u>	<u>4,310,414</u>	<u>(266,042)</u>	<u>12,907,350</u>	<u>146,034,120</u>
Governmental Activities Capital Assets, Net	<u>\$172,286,623</u>	<u>\$17,538,071</u>	<u>\$ (614,626)</u>	<u>\$ 1,800,908</u>	<u>\$191,010,976</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,076,948	\$ 7,586	\$ -	\$ (14,520)	\$ 3,070,014
Construction in progress	14,296,881	7,938,075	-	(3,685,007)	18,549,949
Water rights	<u>8,007,260</u>	<u>11,892</u>	<u>-</u>	<u>-</u>	<u>8,019,152</u>
Total Capital Assets not being Depreciated	<u>25,381,089</u>	<u>7,957,553</u>	<u>-</u>	<u>(3,699,527)</u>	<u>29,639,115</u>
Capital assets, being depreciated:					
Buildings	12,331,348	448,064	-	(77,749)	12,701,663
Improvements other than buildings	149,751,212	3,512,181	-	3,467,815	156,731,208
Machinery and equipment	<u>9,686,081</u>	<u>742,890</u>	<u>(376,063)</u>	<u>(2,108,664)</u>	<u>7,944,244</u>
Total Capital Assets being Depreciated	<u>171,768,641</u>	<u>4,703,135</u>	<u>(376,063)</u>	<u>1,281,402</u>	<u>177,377,115</u>

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	Balance <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance <u>June 30, 2008</u>
Less accumulated depreciation for:					
Buildings	\$ (2,768,060)	\$ (252,550)	\$ -	\$ 11,890	\$ (3,008,720)
Improvements other than buildings	(56,433,921)	(4,167,963)	-	-	(60,601,884)
Machinery and equipment	(5,184,200)	(525,372)	279,895	605,327	(4,824,350)
Total Accumulated Depreciation	<u>(64,386,181)</u>	<u>(4,945,885)</u>	<u>279,895</u>	<u>617,217</u>	<u>(68,434,954)</u>
Total Capital Assets being Depreciated, Net	<u>107,382,460</u>	<u>(242,750)</u>	<u>(96,168)</u>	<u>1,898,619</u>	<u>108,942,161</u>
Business-type activities capital assets, net	<u>\$132,763,549</u>	<u>\$ 7,714,803</u>	<u>\$ (96,168)</u>	<u>\$(1,800,908)</u>	<u>\$138,581,276</u>

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

Governmental activities:	
General government	\$ 346,860
Judicial	13,616
Public safety	1,538,383
Public works	2,873,744
Airport	43,316
Health	354,144
Culture and recreation	1,242,862
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,729</u>
Total Depreciation Expense – Governmental Activities	<u>\$6,414,654</u>
Business-type activities:	
Ambulance	\$ 87,621
Sewer	2,685,925
Water	2,016,590
Cemetery	21,932
Storm Drainage	124,955
Building Permits	<u>8,862</u>
Total Depreciation Expense – Business-Type Activities	<u>\$4,945,885</u>

Construction commitments

The City was committed to construction projects in various funds, as of June 30, 2008, as follows:

Project Name Contract Number <u>Vendor Name</u>	<u>Bid Award</u>	Value of Work Completed as of <u>June 30, 2008</u>	Remaining Commitment as of <u>June 30, 2008</u>
<u>Water Fund:</u>			
Arsenic Treatment Plant – Eq. #0708-046 Hungerford & Terry	\$ 834,665	\$ 166,933	\$ 667,732

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Project Name Contract Number Vendor Name	<u>Bid Award</u>	Value of Work Completed as of <u>June 30, 2008</u>	Remaining Commitment as of <u>June 30, 2008</u>
<u>Regional Transportation Fund:</u>			
Fairview Drive Widening #0708-084 Sierra Nevada Construction	\$ 4,304,198	\$ 1,258,344	\$3,045,854
Hot Springs Road Construction #0708-133 A & K	1,101,275	201,360	899,915
<u>Quality of Life Fund:</u>			
Indoor Recreation Center #0708-105 Metcalf Builders	991,764	7,409	984,355
Indoor Recreation Center #0708-134 Valentiner Crane Architects	701,900	119,523	582,377
Fuji Park #2007-065 Horizon	1,894,220	1,747,945	146,275
<u>Capital Facilities Fund:</u>			
Sheriff's Administration Building Various Various	<u>9,323,106</u>	<u>8,353,642</u>	<u>969,464</u>
Total	<u>\$19,151,128</u>	<u>\$11,855,156</u>	<u>\$7,295,972</u>

Other Commitments:

On April 1, 1997, the City entered into an agreement with the State of Nevada, Department of Transportation (Highway Agreement No. R159-97-060) to help construct the Carson City Bypass. The City is funding this obligation through a \$.05 increase in the county motor vehicle fuel tax. The City intends to contribute a total of \$19 million plus interest. As of June 30, 2008 the City has contributed \$14,196,189.

In August 2004, the City and the State of Nevada, Department of Transportation (NDOT) added Amendment 1 to the above Agreement. The amendment provides for the following:

- The City shall pay to NDOT an amount of \$15,000,000, with payments beginning upon completion of the funding obligation for Phase I of the freeway as prescribed in Highway Agreement No. R159-97-060 and amended herein, estimated to start in 2011 and finish in 2026. For Phase 2, the City shall pay the tax based on a \$.03 levy in the county motor vehicle fuel tax. The amounts received from the additional \$.02 levy will be used to maintain Carson Street and Fairview Drive as described below.
- It is further agreed that the City will assume ownership and maintenance responsibility for Carson Street from approximately Arrowhead Drive in the north to the intersection of the Carson City Freeway at the Spooner Intersection to the south, upon construction completion to the point when vehicles are using Phase 2.

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- The City also agrees to construct Fairview Drive to a minimum of four through lanes with turn lanes, from the terminus of Phase 2A at Fairview Drive to US 395/Carson Street, and to be responsible for maintenance of Fairview Drive.
- NDOT agrees to defer payment by the City of the current \$.05 tax as defined in Highway Agreement No. R159-97-060 from the period beginning July 1, 2005 through June 30, 2008, to allow the City to utilize the payments for the Fairview Drive improvements.

Discretely presented component units

Activity for the Airport Authority for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 146,542	\$ -	\$ -	\$ 146,542
Capital assets being depreciated:				
Machinery and equipment	531,402	19,711	-	551,113
Less accumulated depreciation for:				
Machinery and equipment	(467,315)	(3,055)	-	(470,370)
Total Capital Assets being Depreciated, Net	<u>64,087</u>	<u>16,656</u>	<u>-</u>	<u>80,743</u>
Airport Authority Capital Assets, Net	<u>\$ 210,629</u>	<u>\$16,656</u>	<u>\$ -</u>	<u>\$ 227,285</u>

Activity for the Convention and Visitors' Bureau for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets, being depreciated:				
Buildings	\$135,000	\$ 10,647	\$ -	\$145,647
Improvement other than buildings	8,729	-	-	8,729
Machinery and equipment	<u>51,109</u>	<u>34,885</u>	<u>-</u>	<u>85,994</u>
Total Capital Assets being Depreciated	<u>194,838</u>	<u>45,532</u>	<u>-</u>	<u>240,370</u>
Less accumulated depreciation for:				
Buildings	(47,382)	(4,449)	-	(51,831)
Improvements other than buildings	(7,275)	(582)	-	(7,857)
Machinery and equipment	<u>(36,491)</u>	<u>(10,712)</u>	<u>-</u>	<u>(47,203)</u>
Total Accumulated Depreciation	<u>(91,148)</u>	<u>(15,743)</u>	<u>-</u>	<u>(106,891)</u>
Convention and Visitor's Bureau Capital Assets, Net	<u>\$103,690</u>	<u>\$29,789</u>	<u>\$ -</u>	<u>\$133,479</u>

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C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental fund	Nonmajor governmental fund	\$46,907
Nonmajor governmental fund	Nonmajor governmental fund	<u>49,536</u>
	Total	<u>\$96,443</u>

The above interfund balances at June 30, 2008 are generally short-term loans to cover temporary cash deficits in various funds. They are expected to be repaid in the next fiscal year.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government – general fund	Component unit – Convention and Visitors’ Bureau	\$ 13,379
Component unit – Airport Authority	Primary government – general fund	105,911
Component unit – Convention and Visitors’ Bureau	Primary government – redevelopment administration fund	15,435
Component unit – Airport Authority	Primary government – airport fund	<u>199,037</u>
	Total	<u>\$333,762</u>

Interfund transfers:

<u>Transfer out:</u>	<u>Transfer In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 75,000	\$ 3,311,134	\$ 3,386,134
Quality of Life Fund	109,730	-	1,004,808	1,114,538
Nonmajor Governmental Funds	31,250	242,843	3,989,055	4,263,148
Internal Service Fund	-	-	278,500	278,500
Nonmajor Enterprise Funds	<u>773,488</u>	<u>-</u>	<u>2,518,316</u>	<u>3,291,804</u>
Total transfers out	914,468	<u>\$317,843</u>	<u>\$11,101,813</u>	12,334,124
Transfer of net capital assets and long-term liabilities from nonmajor enterprise fund to governmental activities	<u>936,312</u>			<u>936,312</u>
Total transfers in	<u>\$1,850,780</u>			<u>\$13,270,436</u>

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, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.