

City of Carson City
Request for Board Action

Item # 6

Date Submitted: 12/12/06

Agenda Date Requested: 12/21/06

Time Requested: 20 minutes

To: Mayor and Supervisors

From: Nick Providenti, Acting Finance Director

Subject Title: Action to accept the Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006

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, 2006.

Explanation of Recommended Board Action: The Carson City Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006 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

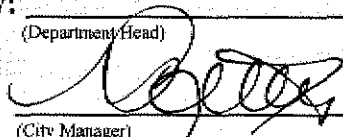
Funding Source: n/a

Supporting Material: Carson City Comprehensive Financial Report for the Fiscal Year Ended June 30, 2006

Prepared By: Nick Providenti

Reviewed By: _____
(Department Head)

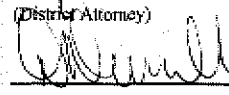
Date: _____

: 
(City Manager)

Date: 12/12/06

: Melanie Buballa
(District Attorney)

Date: 12-12-06

: 
(Finance Director)

Date: 12-12-06

Board Action Taken:

Motion: _____

1) _____

Aye/Nay

2) _____

(Vote Recorded By)

CARSON CITY, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2006

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CARSON CITY, NEVADA

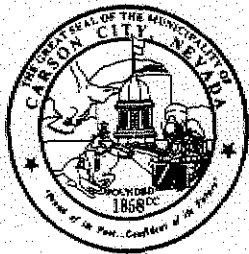
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INTRODUCTORY SECTION

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CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

November 22, 2006

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, 2006, 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. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. All disclosures necessary to enable the reader to gain an understanding of Carson City's activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section, which is unaudited, includes this letter of transmittal, an organizational chart and a list of Carson City's principal elected and appointed officials. The financial section includes management's discussion and analysis, the basic financial statements and the combining and individual fund statements and schedules, as well as the independent auditor's report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

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.

DEPARTMENT OF FINANCE

201 North Carson Street, Suite #3 • 89701 • (775) 887-2133

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. 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.

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 57,104 as of July 1, 2006. Real and personal taxable property located within the City has an estimated market value of \$3,441,130,766 and an assessed value of \$1,204,395,768.

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.

ECONOMIC CONDITION AND OUTLOOK

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 2000 Census reported Carson City with a population of 52,457 which reflects a 30.5 percent increase over the 1990 population of 40,192. Carson City is expected to experience a slow but steady growth rate. This growth has had a positive effect on local employment and the City's tax base.

In FY 05-06, Nevada's economy continued to grow. Statewide taxable sales increased by 9% for FY 05-06 compared to 14.2% for FY 04-05 and 12.8% for FY 03-04.

Carson City experienced an increase in taxable sales during the current fiscal year. In FY 05-06, Carson City's taxable sales increased 4% from the prior year compared to a 5.8% increase in FY 04-05 and a 5.8% increase in FY 03-04.

The City's unemployment rate was 4.8% in FY 05-06, 4.7% in FY 04-05 and 5.2% in FY 03-04.

MAJOR INITIATIVES

FOR THE YEAR. During 2006, the City continued to work with the Nevada Department of Transportation (NDOT) on planning for a \$230 million freeway bypass around downtown Carson City, of which the City's \$19 million share will be funded by a five cent fuel tax increase allowed by NRS 373. Construction began in 2000 with completion anticipated in 2006. NDOT has begun design on phase 2 of the project and the City has agreed to contribute an additional \$15 million.

FOR THE FUTURE. The City assumed a conservative posture in budgeting for FY 06-07 by using a 2.7% growth rate on existing taxable sales. A new Wal-Mart store opened in October, 2005, which is expected to generate an estimated \$800,000 per year of additional revenue. The City's operating plan provided \$301,000 to expand existing service levels. The City's approved capital budget in FY 06-07, totaling \$2.3 million, provides for the timely replacement of equipment and facilities.

The Carson City Board of Supervisors has identified several major areas of improvement in the next fiscal year:

1. Illegal drug use.
2. Upgrade water, sewer and storm drainage infrastructure.
3. Improve City facilities.
4. Downtown improvements.
5. Business retention and recruitment.
6. Extension of the V & T Railroad to Carson City.
7. Traffic circulation.
8. Diverse and affordable housing.
9. Employee training and development.

The fiscal year 2006-07 budget addresses each of these issues by providing resources and staffing.

FINANCIAL INFORMATION

The management of Carson City is responsible for establishing and maintaining internal control for the purpose of ensuring that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The objective of internal control is to provide management with reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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, 2006 provided no material 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.

The City's Internal Finance Committee, comprised of the City Manager, City Treasurer, Development Services Director, Director of Finance and the Human Resources Director, evaluates and reviews each department's budget in detail to determine annual funding levels. The budget is then presented to the citizens and the Board of Supervisors at several public hearings. After giving due consideration to public and staff comments, the Board adopts the final budget.

As demonstrated by the statements and schedules included in the financial section of this report, Carson City continues to meet its responsibility for sound financial management.

CASH MANAGEMENT. Cash temporarily idle during the year was invested in certificates of deposit, 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, 2006, the City had total cash investments of \$107,115,429.

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

INDEPENDENT AUDIT. State statutes require an annual audit by independent certified public accountants. The accounting firm of Kafoury, Armstrong and Co. was selected by the City's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's compliance reports related specifically to the single audit are included in the Compliance Section.

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, 2005. 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 sixteen 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 and City Manager, 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 cursive script, appearing to read "Nickolas A. Providenti".

Nickolas A. Providenti, CPA
Acting Director of Finance/Controller

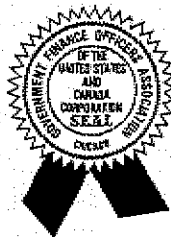
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carson City
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



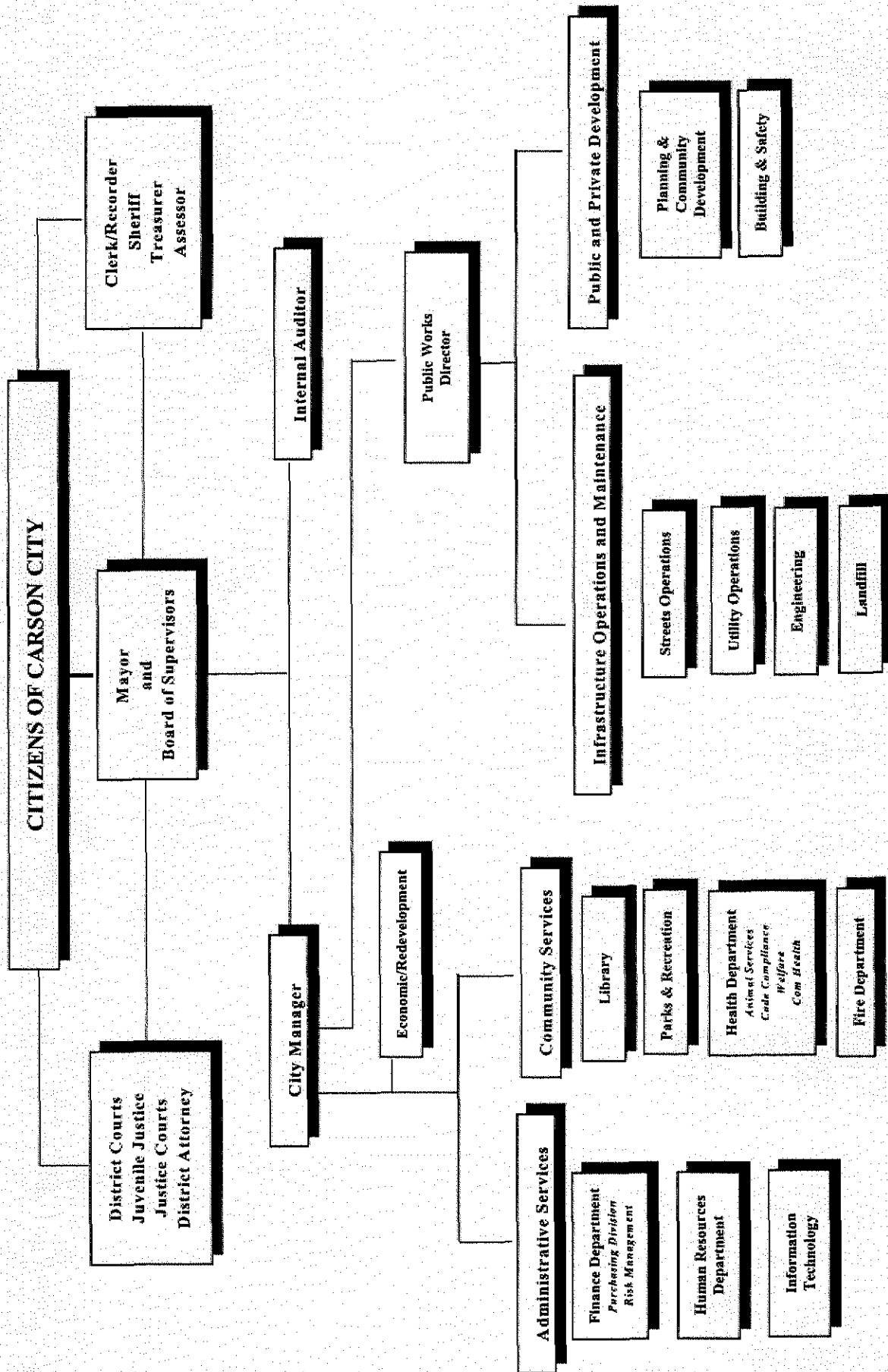
Carla E. Judge

President

Jeffrey R. Emmer

Executive Director

Carson City Organizational Chart



CARSON CITY
LISTING OF PRINCIPAL OFFICIALS
FY 2006

TITLE	NAME
Mayor	Marv Teixeira
Supervisor, Ward 1	Pete Livermore
Supervisor, Ward 2	Shelly Aldean
Supervisor, Ward 3	Robin Williamson
Supervisor, Ward 4	Richard Staub
Assessor	Dave Dawley
Treasurer	Al Kramer
District Attorney	Noel Waters
District Court I	Judge Michael Griffin
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	Linda Ritter
Finance Director/Risk Manager	Tom Minton
Information Services Director	Kevin Haggerty
Community Development Director	Walter Sullivan
Economic/Redevelopment Director	Joe McCarthy
Cooperative Extension Director	JoAnne Skelly
Library Director	Sally Edwards
Health Director	Daren Winkleman
Juvenile Special Master	David Nielsen
Chief Juvenile Probation Officer	Sheila Banister
Parks and Recreation Director	Roger Moellendorf
Fire Chief	Stacey Giomi
Internal Auditor	Susan Johnson
Senior Center Director	Janice McIntosh
Human Resources Manager	Ann Silver
Development Services Director	Andrew Burnham
City Engineer	Larry Werner
Utilities Operations Manager	Tom Hoffert
Streets Operations Manager	Vacant
Chief Building Official	Kevin Gattis

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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, 2006, 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 Airport Authority of Carson City, Nevada and 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, 2006, 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 major 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 22, 2006 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 3L 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 nonmajor fund financial 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 nonmajor fund financial statements 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 and statistical sections 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.

Kafoury, Armstrong & Co.

Reno, Nevada
November 22, 2006

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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, 2006. 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 \$184,398,771 (*net assets*). Of this amount, \$12,950,365 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets decreased by \$7,957,147. This decrease is attributable to an increase in community support and economic opportunity expenditures included in governmental activities.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$65,772,566, an increase of \$17,243,523 in comparison with the prior year. \$64,903,798 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 \$10,031,382, or 15 percent of total General Fund expenditures.

The City's total bonded debt increased by \$33,637,827 (34 percent) during the current fiscal year. Key factors in this increase were the issuance of general obligation revenue bonds in the amount of \$15,000,000 for the Virginia and Truckee Railroad Project, \$18,000,000 for the construction of a new sheriff administration building and purchase of a health services building, and \$8,000,000 to finance various capital projects included in governmental activities.

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, health, welfare, community support, airport, economic opportunity, and culture and recreation. The business-type activities of the City include water, sewer, ambulance, cemetery, landfill, 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, Quality of Life Fund, and the Capital Facilities Fund all of which are considered to be major funds. Data from the other twenty-five 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 Capital Facilities Fund and 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, landfill, 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, sewer, and stormwater drainage operations, all 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 28-52 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 53-157 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 \$184,398,771 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (78 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), 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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 79,348,431	\$ 60,884,587	\$ 29,190,919	\$ 37,506,504	\$ 108,539,350	\$ 98,391,091
Capital assets	107,029,699	101,073,612	124,984,936	117,043,695	232,014,635	218,117,307
Total assets	186,378,130	161,958,199	154,175,855	154,550,199	340,553,985	316,508,398
Long-term liabilities outstanding	90,341,400	51,385,190	54,281,538	56,170,834	144,622,938	107,556,024
Other liabilities	8,706,417	9,190,106	2,825,859	6,048,834	11,532,276	15,238,940
Total liabilities	99,047,817	60,575,296	57,107,397	62,219,668	156,155,214	122,794,964
Net assets:						
Invested in capital assets, net of related debt	65,849,092	69,600,063	78,129,888	71,872,037	143,978,980	141,472,100
Restricted	24,871,291	16,085,638	2,598,135	2,545,363	27,469,426	18,631,001
Unrestricted	(3,390,070)	15,697,202	16,340,435	17,913,131	12,950,365	33,610,333
Total net assets	\$ 87,330,313	\$ 101,382,903	\$ 97,068,458	\$ 92,330,531	\$ 184,398,771	\$ 193,713,434

An additional portion of the City's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$12,950,365) 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 for the government as a whole as well as for its separate business-type activities. The governmental activities reported a negative balance for unrestricted net assets. In the prior fiscal year, the City reported positive balances in all categories of net assets for both the governmental and business-type activities.

The City's net assets decreased by \$7,957,147 during the current fiscal year. This decrease is attributable to an increase in community support and economic opportunity expenditures in the governmental activities and partially offset by capital grants, capital assets contributed by developers and connection fees in the Sewer and Water Funds.

Carson City's Changes in Net Assets

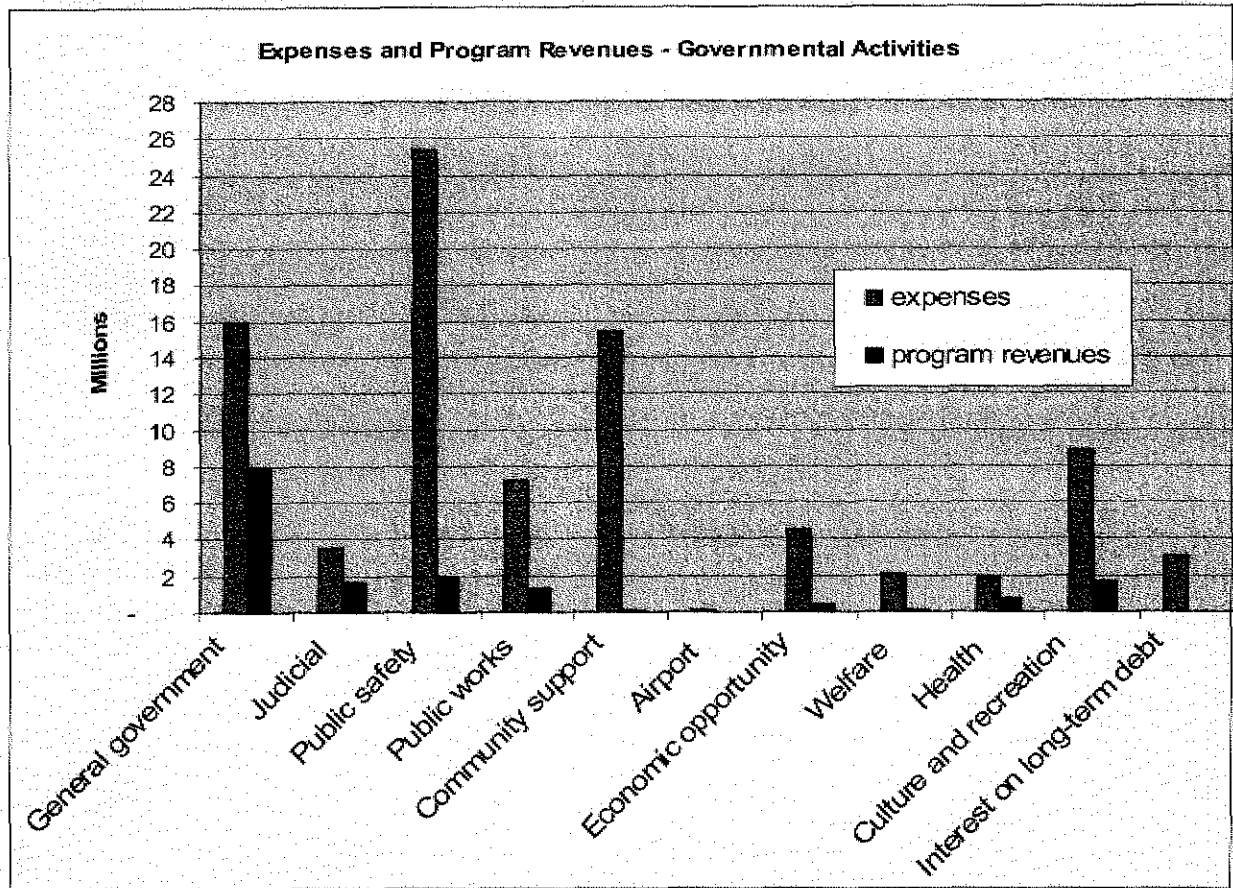
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 7,249,876	\$ 6,995,6	\$ 19,894,278	\$ 17,884,199	\$ 27,144,154	\$ 24,879,876
Operating grants and contributions	8,678,963	6,003,596	12,538	31,080	8,691,501	6,034,676
Capital grants and contributions	51,789	2,211,437	7,000,395	5,150,750	7,052,184	7,362,187
General revenues:						
Property taxes	14,842,941	14,399,482	-	-	14,842,941	14,399,482
Other taxes	42,221,901	40,131,821	-	-	42,221,901	40,131,821
Other	2,895,146	1,389,526	476,360	691,631	3,371,506	2,081,157
Total Revenues	75,940,616	71,131,539	27,383,571	23,757,660	103,324,187	94,889,199
Expenses:						
General government	15,920,465	11,732,939	-	-	15,920,465	11,732,939
Judicial	3,505,076	3,158,460	-	-	3,505,076	3,158,460
Public safety	25,401,443	25,320,788	-	-	25,401,443	25,320,788
Public works	7,205,695	7,462,191	-	-	7,205,695	7,462,191
Community support	15,427,942	1,476,257	-	-	15,427,942	1,476,257
Airport	85,514	126,043	-	-	85,514	126,043
Economic opportunity	4,466,036	520,190	-	-	4,466,036	520,190
Welfare	2,038,709	1,915,957	-	-	2,038,709	1,915,957
Health	1,808,078	1,320,958	-	-	1,808,078	1,320,958
Culture and recreation	8,885,644	8,184,715	-	-	8,885,644	8,184,715
Interest and fiscal charges	3,078,771	2,126,197	-	-	3,078,771	2,126,197
Landfill	-	-	1,889,185	1,058,363	1,889,185	1,058,363
Ambulance	-	-	3,159,589	2,599,930	3,159,589	2,599,930
Sewer	-	-	7,592,212	7,164,159	7,592,212	7,164,159
Water	-	-	8,228,357	7,670,393	8,228,357	7,670,393
Cemetery	-	-	214,107	199,167	214,107	199,167
Building Permits	-	-	1,629,333	1,476,259	1,629,333	1,476,259
Stormwater Drainage	-	-	745,178	286,562	745,178	286,562
Total Expenses	87,823,373	63,344,695	23,457,961	20,454,833	111,281,334	83,799,528
Increase (decrease) in net assets before transfers	(11,882,757)	7,786,844	3,925,610	3,302,827	(7,957,147)	11,089,671
Transfers	(2,169,833)	1,230,203	2,169,833	(1,230,203)	-	-
Increase (decrease) in net assets	(14,052,590)	9,017,047	6,095,443	2,072,624	(7,957,147)	11,089,671
Net assets - July 1, as Previously Reported	101,382,903	92,365,856	92,330,531	90,257,907	193,713,434	182,623,763
Prior period adjustment - error correction	-	-	(1,357,516)	-	(1,357,516)	-
Net assets - July 1, as Adjusted	101,382,903	92,365,856	90,973,015	90,257,907	192,355,918	182,623,763
Net assets - June 30	\$ 87,330,313	\$ 101,382,903	\$ 97,068,458	\$ 92,330,531	\$ 184,398,771	\$ 193,713,434

Governmental activities. Governmental activities decreased the City's net assets by \$14,052,590, a decrease of \$23,069,637 from the prior year. Key elements of the change from prior year are as follows:

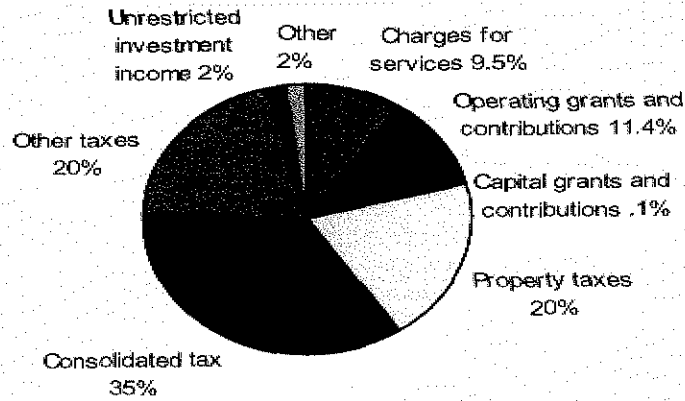
- \$14 million increase in community support expenditures due to an inter-local grant to the Nevada Commission for the Reconstruction of the V & T Railway from the proceeds of bonds issued by the City for the Virginia and Truckee Railroad Project.
- \$4 million increase in economic opportunity expenditures due to an increase in incentives for business retention and recruitment in the automotive sector which makes up 33% of the City's total taxable sales.
- \$1 million increase in interest and fiscal charges due to the issuance of \$41 million in bonds during the current year.

For the most part, the remaining increases in expenditures are due to growth in the demand for services.

Program revenues for governmental activities provided 18 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 \$26,808,073 and property taxes of \$14,842,941.



Revenues by Source - Governmental Activities

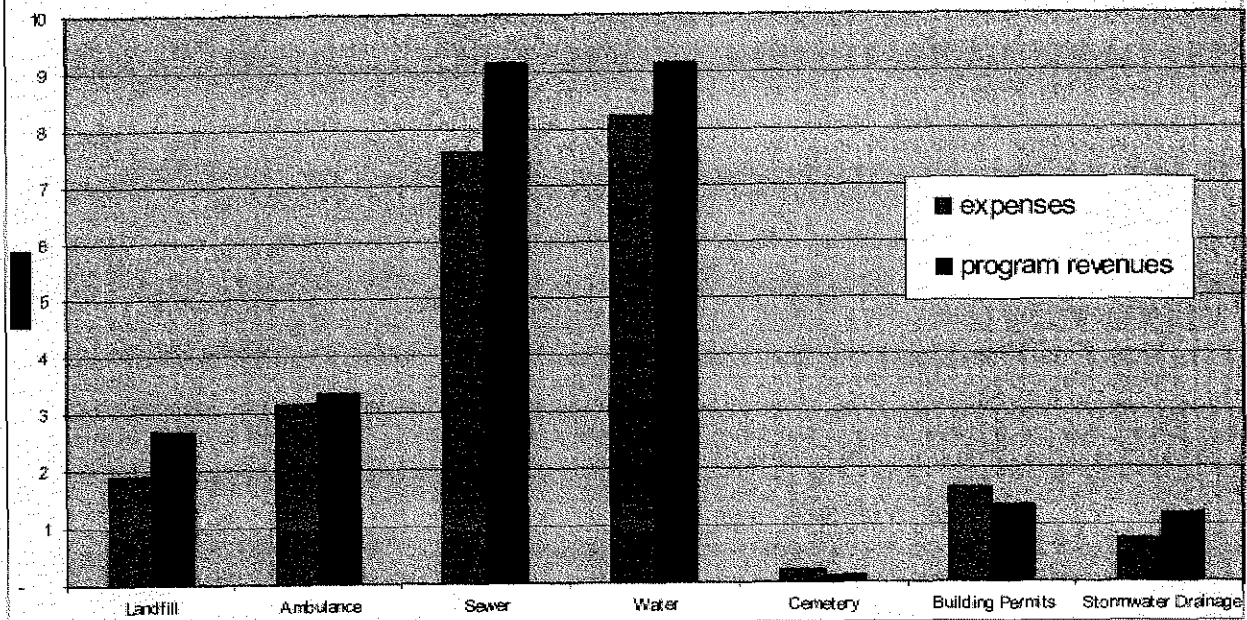


Business-type activities. Business-type activities increased the City's net assets by \$6,095,443, an increase of \$4,022,819 from the prior year. Key elements of this increase are as follows:

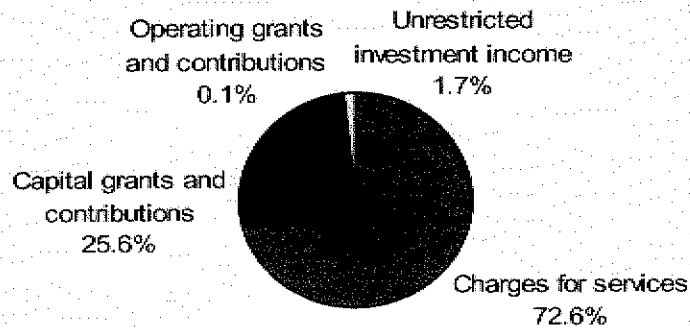
- \$1.5 million increase in capital grants related to the freeway bypass project.
- \$1.3 million increase in capital assets transferred from governmental activities.
- \$1.5 million decrease in transfers to governmental activities from the prior year to cover the federal grant match to rehabilitate and mitigate future hazards in the area destroyed by the Waterfall Fire.

Sewer and water expenses represent 67 percent of total expenses for business-type activities.

Expenses and Program Revenues - 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 \$65,772,566, an increase of \$17,243,523 in comparison with the prior year. Of this total amount, \$64,903,798 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 (\$235,087), 2) for judicial programs (\$327,135), or 3) for prepaid items and inventory (\$306,546).

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 \$10,031,382, while total fund balance reached \$10,898,863. 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 15 percent of total General Fund expenditures, while total fund balance represents 16 percent of that same amount.

The fund balance of the City's General Fund decreased by \$700,118 during the current fiscal year, a decrease of \$365,736 from the prior year. Key elements of the change from prior year are as follows:

- Consolidated taxes increased by \$1.1 million over the prior year as a result of an increase in sales tax collections. This increase was offset by an increase in ongoing expenditures largely related to public safety.
- Transfers out decreased by \$2.3 million and transfers in increased by \$2.3 million from the

- Transfers out decreased by \$2.3 million and transfers in increased by \$2.3 million from the prior year. This was offset by an increase in expenditures related to incentives for business retention and recruitment in the automotive sector.

The Quality of Life Fund has a total fund balance of \$17,178,037, all of which is unreserved. The fund balance increased by \$4,206,198 during the current fiscal year, a decrease of \$2,822,578 from the prior year. Key elements of the change from prior year are as follows:

- \$5.2 million decrease in other financing sources related to bonds issued in the prior year offset by the sale of land in the current year for \$3.6 million.
- \$2.9 million decrease in expenditures due to a prior year purchase of property for open space.
- \$400,000 increase in transfers to the Carson City Debt Service Fund as a result of the issuance of debt in the prior year.

The Capital Facilities Fund has a total fund balance of \$13,548,083, all of which is unreserved. The fund balance increased by \$12,350,663 during the current fiscal year, an increase of \$11,394,900 over the prior year. Key elements of the change from prior year are as follows:

- The issuance of \$18,000,000 in bonds for the construction of a new sheriff administration building and purchase of a health services building.
- \$1.6 million in construction costs related to the sheriff administrative building.
- \$4.7 million in expenditures for the health services building.

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 \$7,837,411 in the Sewer Fund, \$7,118,414 for the Water Fund, and \$284,996 for the Stormwater Drainage Fund. The total growth in net assets for the funds was \$1,670,344, \$996,066, and \$2,815,563, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Budgeted appropriations increased \$20,468,046 between the original budget and the final amended budget. The increase can be briefly summarized as follows:

- \$15 million increase in appropriations due to an inter-local grant to the Nevada Commission for the Reconstruction of the V & T Railway for the Virginia and Truckee Railroad Project.
- \$8 million increase in appropriations for economic development to fund incentives for business retention and recruitment in the automotive sector. This increase was partially offset by a decrease of \$3.15 million in operating transfers out.
- Carryover of program costs from the prior year budget amounting to \$186,000 allocated to various departments.
- \$436,000 increase in various department appropriations offset by increases in charges for services, intergovernmental revenues and donations.

Of this increase, \$15 million was funded from the issuance of general obligation revenue bonds. \$2.4 million was transferred in from the Capital Acquisition and Development and Capital Projects Funds. Approximately \$179,000 was funded from charges for services, \$257,000 from intergovernmental revenues, grants and donations, and the remaining \$2,636,000 was to be budgeted from available fund balance.

The only significant difference between the final amended budget and actual amounts was in the economic opportunity function. There was \$4.85 million in unspent incentives for business retention and recruitment. This appropriation will be carried over to the next fiscal year.

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, 2006, amounts to \$232,014,635 (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 6 percent (a 5.9 percent increase for governmental activities and a 6.8 percent increase for business-type activities).

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

- Purchase of health services building at a cost of approximately \$4.7 million.
- \$1.6 million for the construction of the sheriff administration building.
- \$700,000 for vehicle replacement program.
- \$435,000 for the City Hall expansion.
- \$333,000 for lighting improvements at park facility.
- A variety of street construction projects are on-going, such as widening and expansion projects, at a cost of approximately \$3.0 million.
- \$1.2 million for storm drainage projects.
- \$3 million for various sewer projects.
- \$3.8 million for various water projects.
- Sale of land with a cost of \$1,745,613.

Carson City's Capital Assets (net of depreciation)

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 18,228,791	\$ 20,929,040	\$ 3,076,948	\$ 1,513,454	\$ 21,305,739	\$ 22,442,494
Construction in progress/infrastructure	1,300,249	818,380	-	-	1,300,249	818,380
Construction in progress	5,984,619	4,724,128	15,642,654	15,028,756	21,627,273	19,752,884
Buildings	48,718,514	44,643,143	9,815,627	10,069,880	58,534,141	54,713,023
Improvements other than buildings	13,054,269	12,239,726	84,968,832	79,417,032	98,023,101	91,656,758
Machinery and equipment	9,219,069	9,417,740	3,473,615	3,007,313	12,692,684	12,425,053
Infrastructure	10,524,188	8,301,455	-	-	10,524,188	8,301,455
Water rights	-	-	8,007,260	8,007,260	8,007,260	8,007,260
Total	\$ 107,029,699	\$ 101,073,612	\$ 124,984,936	\$ 117,043,695	\$ 232,014,635	\$ 218,117,307

Additional information on the City's capital assets can be found in note 3-B on pages 39-42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$133,212,922. Of this amount, \$127,852,922 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).

	Governmental Activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 76,884,293	\$ 37,953,154	\$ 50,968,629	\$ 54,291,941	\$127,852,922	\$ 92,245,095
Revenue bonds	5,360,000	7,330,000	-	-	5,360,000	7,330,000
Total	\$ 82,244,293	\$ 45,283,154	\$ 50,968,629	\$ 54,291,941	\$133,212,922	\$ 99,575,095

The City's total bonded debt increased by \$33,637,827 (34 percent) during the current fiscal year. Key factors in this increase were the issuance of general obligation revenue bonds in the amount of \$15,000,000 for the Virginia and Truckee Railroad Project, \$18,000,000 for the construction of a new sheriff administration building and purchase of a health services building, and \$8,000,000 to finance various capital projects included in governmental activities.

During the current fiscal year, the City refinanced some of its existing debt to take advantage of favorable interest rates.

- The City entered into a general obligation bond refinancing that is expected to decrease future debt service payments by \$910,539.
- The City also issued general obligation medium-term notes to refinance previously outstanding revenue bonds. The result is expected to be a decrease in future debt service payments of \$179,243.

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 15 percent of its total assessed valuation. The current debt limitation for the City is \$183,981,394, 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 44-49 of this report.

Economic Factors and Next Year's Budgets and Rates

During the current fiscal year, unreserved fund balance in the General Fund decreased \$1,020,774 to \$10,031,382. The City has appropriated \$5,079,437 of this amount for spending in the 2007 fiscal year budget.

Looking forward to fiscal 2006-07, total revenue growth excluding grants is projected to be 2.6 percent. Carson City will continue to experience the effects of regional retail competition. Taxable sales should remain steady in the automotive, building materials and wholesale durable goods sectors. The City's assessed value grew 7 percent in fiscal 2005-06 to 1.204 billion and 19 percent in fiscal 2006-07 to 1.433 billion. The Board of Supervisors took the following actions in the fiscal 2006-07 budget:

- Identified \$301,364 of ongoing revenues for service level enhancements which include:
 - Facilities Maintenance Trades Tech
 - Building Maintenance Worker
 - Building repairs and maintenance
 - Fire Department equipment
 - County Health Officer
 - Human Resources professional services
 - Recreation Coordinator
 - 2 Deputy Sheriffs and equipment
- Provided \$2.7 million in one shot and capital spending.

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.

BASIC FINANCIAL STATEMENTS

CARSON CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 65,175,525	\$ 20,222,745	\$ 85,398,270
Receivables (net of allowances for uncollectibles)	2,308,787	2,541,245	4,850,032
Due from other governments	8,954,477	3,031,542	11,986,019
Due from component units	12,193	-	12,193
Due from primary government	-	-	-
Internal balances	497,075	(497,075)	-
Inventories	67,700	321,425	389,125
Prepays	312,826	13,804	326,630
Restricted assets:			
Cash and investments	912,813	3,080,389	3,993,202
Other assets	1,107,035	476,844	1,583,879
Capital assets (net of accumulated depreciation):			
Land	18,228,791	3,076,948	21,305,739
Construction in progress - infrastructure	1,300,249	-	1,300,249
Construction in progress	5,984,619	15,642,654	21,627,273
Buildings	48,718,514	9,815,627	58,534,141
Improvements other than buildings	13,054,269	84,968,832	98,023,101
Machinery and equipment	9,219,069	3,473,615	12,692,684
Infrastructure	10,524,188	-	10,524,188
Water rights	-	8,007,260	8,007,260
Total Assets	<u>186,378,130</u>	<u>154,175,855</u>	<u>340,553,985</u>
LIABILITIES			
Accounts payable and accrued expenses	5,082,585	1,482,967	6,565,552
Accrued interest payable	622,491	412,469	1,034,960
Due to other governments	907,864	177,513	1,085,377
Due to component units	82,685	-	82,685
Due to primary government	-	-	-
Unearned revenue	63,685	255,350	319,035
Other liabilities	1,095,116	15,306	1,110,422
Current liabilities payable from restricted assets	851,991	482,254	1,334,245
Noncurrent liabilities:			
Due within one year	3,366,883	3,728,288	7,095,171
Due in more than one year	86,974,517	50,553,250	137,527,767
Total Liabilities	<u>99,047,817</u>	<u>57,107,397</u>	<u>156,155,214</u>
NET ASSETS			
Invested in capital assets, net of related debt	65,849,092	78,129,888	143,978,980
Restricted for:			
General government	37,860	-	37,860
Public safety	290,504	-	290,504
Judicial	246,122	-	246,122
Public works	8,632,854	-	8,632,854
Health	111,300	-	111,300
Culture and recreation	12,412,025	-	12,412,025
Capital projects	673,825	-	673,825
Debt service	200,000	-	200,000
Claims	2,266,801	-	2,266,801
Emergency replacement	-	2,598,135	2,598,135
Unrestricted	(3,390,070)	16,340,435	12,950,365
Total net assets	<u>\$ 87,330,313</u>	<u>\$ 97,068,458</u>	<u>\$ 184,398,771</u>

See accompanying notes.

COMPONENT UNITS	
AIRPORT AUTHORITY	CONVENTION AND VISITORS' BUREAU
\$ 508,219	\$ 1,364,966
8,708	184,810
-	32,500
-	-
75,322	7,363
-	-
-	10,849
17,900	330
-	-
238,853	-
-	-
509,696	-
-	-
-	91,801
-	2,036
66,028	24,660
-	-
-	-
<u>1,424,726</u>	<u>1,719,315</u>
4,620	78,662
-	-
-	11,221
-	-
-	12,193
37,789	-
-	71,661
-	-
13,498	-
<u>582,197</u>	<u>59,907</u>
<u>638,104</u>	<u>233,644</u>
575,724	118,497
-	3,251
-	-
-	-
-	-
-	289,251
-	-
-	294,522
-	-
-	-
210,898	780,150
<u>\$ 786,622</u>	<u>\$ 1,485,671</u>

See accompanying notes.

CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental Activities:				
General government	\$ 15,920,465	\$ 3,248,476	\$ 4,762,704	\$ -
Judicial	3,505,076	1,615,910	40,000	-
Public safety	25,401,443	786,504	1,178,555	9,900
Public works	7,205,695	121,845	1,153,678	8,000
Community support	15,427,942	5,038	100,271	-
Airport	85,514	-	38,779	-
Economic opportunity	4,466,036	-	481,821	-
Welfare	2,038,709	-	83,496	-
Health	1,808,078	148,971	586,039	-
Culture and recreation	8,885,644	1,323,132	253,620	33,889
Debt Service:				
Interest and fiscal charges	3,078,771	-	-	-
Total Governmental Activities	87,823,373	7,249,876	8,678,963	51,789
Business-Type Activities:				
Landfill	1,889,185	2,650,501	-	-
Ambulance	3,159,589	3,314,884	-	-
Sewer	7,592,212	4,947,911	2,800	4,179,399
Water	8,228,357	6,533,885	8,658	2,620,996
Cemetery	214,107	104,211	1,080	-
Building Permits	1,629,333	1,344,789	-	-
Stormwater Drainage	745,178	998,097	-	200,000
Total Business-Type Activities	23,457,961	19,894,278	12,538	7,000,395
Total Primary Government	\$ 111,281,334	\$ 27,144,154	\$ 8,691,501	\$ 7,052,184
Component units:				
Airport Authority	\$ 253,060	\$ 204,963	\$ 36,356	\$ -
Convention and Visitors' Bureau	5,529,026	28,924	35,500	-
Total Component Units	\$ 5,782,086	\$ 233,887	\$ 71,856	\$ -

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
Gain on sale of capital assets
Miscellaneous revenue
Transfers

Total General Revenues and Transfers

Change in Net Assets

NET ASSETS, JULY 1, as Previously Reported

Prior period adjustment - error correction

NET ASSETS, JULY 1, as Adjusted

NET ASSETS, JUNE 30

See accompanying notes.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

COMPONENT UNITS

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AIRPORT AUTHORITY	CONVENTION AND VISITORS' BUREAU
\$ (7,909,285)	\$ -	\$ (7,909,285)	\$ -	\$ -
(1,849,166)	-	(1,849,166)	-	-
(23,426,484)	-	(23,426,484)	-	-
(5,922,172)	-	(5,922,172)	-	-
(15,322,633)	-	(15,322,633)	-	-
(46,735)	-	(46,735)	-	-
(3,984,215)	-	(3,984,215)	-	-
(1,955,213)	-	(1,955,213)	-	-
(1,073,068)	-	(1,073,068)	-	-
(7,275,003)	-	(7,275,003)	-	-
(3,078,771)	-	(3,078,771)	-	-
(71,842,745)	-	(71,842,745)	-	-
-	761,316	761,316	-	-
-	155,295	155,295	-	-
-	1,537,898	1,537,898	-	-
-	935,182	935,182	-	-
-	(108,816)	(108,816)	-	-
-	(284,544)	(284,544)	-	-
-	452,919	452,919	-	-
-	3,449,250	3,449,250	-	-
(71,842,745)	3,449,250	(68,393,495)	-	-
-	-	-	(11,741)	-
-	-	-	-	(5,464,602)
-	-	-	(11,741)	(5,464,602)
14,842,941	-	14,842,941	75,322	-
5,355,446	-	5,355,446	-	-
26,808,073	-	26,808,073	-	-
4,423,774	-	4,423,774	-	-
4,273,234	-	4,273,234	-	-
-	-	-	-	1,353,074
1,361,374	-	1,361,374	-	-
589	-	589	-	-
1,367,181	476,360	1,843,541	11,284	127,162
1,337,946	-	1,337,946	-	-
189,430	-	189,430	-	-
(2,169,833)	2,169,833	-	-	-
57,790,155	2,646,193	60,436,348	86,606	1,480,236
(14,052,590)	6,095,443	(7,957,147)	74,865	(3,984,366)
101,382,903	92,330,531	193,713,434	711,757	5,470,037
-	(1,357,516)	(1,357,516)	-	-
101,382,903	90,973,015	192,355,918	711,757	5,470,037
\$ 87,330,313	\$ 97,068,458	\$ 184,398,771	\$ 786,622	\$ 1,485,671

See accompanying notes.

**CARSON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	GENERAL	QUALITY OF LIFE	CAPITAL FACILITIES
ASSETS			
Cash and investments	\$ 6,681,000	\$ 16,804,157	\$ 13,641,375
Receivables (net of allowances for uncollectibles):			
Taxes, delinquent	84,367	-	-
Accounts receivable	1,089,949	47	-
Interest	780,079	-	-
Due from other funds	150,000	-	-
Due from other governments	5,066,268	429,925	-
Due from component units	12,193	-	-
Inventories	11,191	-	-
Prepaid items	294,068	-	-
Restricted assets:			
Cash and investments	902,008	-	-
Total Assets	\$ 15,071,123	\$ 17,234,129	\$ 13,641,375
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 637,065	\$ 44,087	\$ 93,292
Accrued salaries and benefits	1,962,164	7,871	-
Payable from restricted assets	841,186	-	-
Due to other funds	-	-	-
Due to other governments	112,365	4,134	-
Due to component units	75,322	-	-
Other liabilities	433,722	-	-
Deferred revenue	94,496	-	-
Unearned revenue	15,940	-	-
Total Liabilities	4,172,260	56,092	93,292
Fund balances:			
Reserved for inventory	11,191	-	-
Reserved for gifts and donations	235,087	-	-
Reserved for administrative assessments	105,261	-	-
Reserved for courts	184,523	-	-
Reserved for Co. Recorder technology	37,351	-	-
Reserved for prepaid items	294,068	-	-
Unreserved, reported in:			
General fund:			
Designated for subsequent year's expenditures	5,079,437	-	-
Undesignated	4,951,945	-	-
Special revenue funds:			
Designated for subsequent year's expenditures	-	2,559,087	-
Undesignated	-	14,618,950	-
Debt service funds:			
Designated for subsequent year's expenditures	-	-	-
Undesignated	-	-	-
Capital projects funds:			
Designated for subsequent year's expenditures	-	-	409,555
Undesignated	-	-	13,138,528
Total Fund Balances	10,898,863	17,178,037	13,548,083
Total Liabilities and Fund Balances	\$ 15,071,123	\$ 17,234,129	\$ 13,641,375

See accompanying notes.

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 22,924,203	\$ 60,050,735
23,069	107,436
108,604	1,198,600
-	780,079
278,711	428,711
3,375,240	8,871,433
-	12,193
-	11,191
1,287	295,355
10,805	912,813
<u>\$ 26,721,919</u>	<u>\$ 72,668,546</u>
\$ 1,354,655	\$ 2,129,099
66,254	2,036,289
10,805	851,991
278,711	278,711
791,365	907,864
7,363	82,685
-	433,722
17,985	112,481
47,198	63,138
<u>2,574,336</u>	<u>6,895,980</u>
-	11,191
-	235,087
-	105,261
-	184,523
-	37,351
1,287	295,355
-	5,079,437
-	4,951,945
7,355,044	9,914,131
13,787,329	28,406,279
992,243	992,243
443,148	443,148
187,663	517,218
1,460,869	14,599,397
<u>24,147,583</u>	<u>65,772,566</u>
<u>\$ 26,721,919</u>	<u>\$ 72,668,546</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, 2006

Fund Balances - Governmental Funds (page 8)		\$ 65,772,566
<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	\$ 139,898,130	
Less: Accumulated depreciation	<u>(32,893,876)</u>	107,004,254
<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 bonds payable	(355,000)	
General obligation revenue bonds payable	(76,529,293)	
Notes payable	(4,925,317)	
Revenue bonds payable	(5,360,000)	
Loss on bond refunding	1,083,298	
Less: current year amortization	(95,491)	
Issuance discount	198,414	
Less: current year amortization	(10,042)	
Issuance premium	(587,617)	
Less: current year amortization	17,162	
Deferred charge for issuance costs	1,146,694	
Less: current year amortization	(39,659)	
Capital leases payable	(86,777)	
Compensated absences	<u>(3,507,921)</u>	(89,051,549)
Interest payable		(622,491)
<p>Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.</p>		
		112,481
<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>		
		3,767,977
<p>Internal balances are receivable from business-type activities.</p>		
		<u>347,075</u>
Net Assets - Governmental Activities (pages 4-5)		<u>\$ 87,330,313</u>

See accompanying notes.

CARSON CITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	QUALITY OF LIFE	CAPITAL FACILITIES
Revenues:			
Taxes	\$ 11,164,336	\$ 2,525,824	\$ -
Licenses and permits	6,191,477	-	-
Intergovernmental revenues	27,390,362	12,495	-
Charges for services	7,182,916	-	-
Fines and forfeits	947,605	-	-
Miscellaneous	853,773	300,172	223,610
Total Revenues	53,730,469	2,838,491	223,610
Expenditures:			
Current:			
General government	12,279,270	-	-
Public safety	22,331,714	-	266,315
Judicial	3,379,561	-	-
Public works	2,577,865	-	-
Health	1,158,981	-	52,709
Welfare	344,677	-	-
Culture and recreation	6,479,361	1,093,491	-
Community support	15,427,078	-	-
Airport	-	-	-
Economic opportunity	3,872,489	-	-
Capital outlay	-	-	6,308,230
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	67,850,996	1,093,491	6,627,254
Excess (Deficiency) of Revenues over Expenditures	(14,120,527)	1,745,000	(6,403,644)
Other Financing Sources (Uses):			
Sales of surplus property	-	3,620,000	-
Bonds issued	15,000,000	-	18,000,000
Premium on bonds issued	31,221	-	127,713
Refunding bonds issued	-	-	-
Refunding notes issued	-	-	-
Premium on refunding bonds issued	-	-	-
Capital leases	20,052	-	-
Transfers in	2,526,456	-	1,300,000
Transfers out	(4,157,320)	(1,158,802)	(673,406)
Payment to refunded bond escrow agent	-	-	-
Total Other Financing Sources (Uses)	13,420,409	2,461,198	18,754,307
Net Change in Fund Balances	(700,118)	4,206,198	12,350,663
Fund Balances, July 1	11,598,981	12,971,839	1,197,420
Fund Balances, June 30	\$ 10,898,863	\$ 17,178,037	\$ 13,548,083

See accompanying notes.

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 10,557,611	\$ 24,247,771
-	6,191,477
9,533,103	36,935,960
272,606	7,455,522
63,537	1,011,142
801,479	2,179,034
<u>21,228,336</u>	<u>78,020,906</u>
7,307,232	19,586,502
1,697,628	24,295,657
141,898	3,521,459
9,570,726	12,148,591
565,851	1,777,541
1,688,971	2,033,648
1,237,296	8,810,148
357,397	15,784,475
38,779	38,779
725,823	4,598,312
202,071	6,510,301
2,725,880	2,725,880
2,932,911	2,932,911
<u>29,192,463</u>	<u>104,764,204</u>
<u>(7,964,127)</u>	<u>(26,743,298)</u>
-	3,620,000
8,000,000	41,000,000
149,974	308,908
8,040,000	8,040,000
1,654,300	1,654,300
278,709	278,709
-	20,052
6,335,929	10,162,385
(5,223,392)	(11,212,920)
(9,884,613)	(9,884,613)
<u>9,350,907</u>	<u>43,986,821</u>
1,386,780	17,243,523
<u>22,760,803</u>	<u>48,529,043</u>
<u>\$ 24,147,583</u>	<u>\$ 65,772,566</u>

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, 2006**

Net Change in Fund Balances - Governmental Funds (page 10)		\$ 17,243,523
<p>Amounts reported for governmental activities in the statement of activities (pages 6-7) are different because:</p>		
<p>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.</p>		
Expenditures for capital assets	\$ 13,291,375	
Contributions of capital assets from business-type activities	37,748	
Donated capital assets	17,900	
Transfers of capital assets to business-type activities	(1,651,941)	
Sale/disposition of assets	(2,282,054)	
Less: Current year depreciation	(3,474,799)	5,938,229
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Change in deferred revenue		7,937
<p>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.</p>		
Bonds and notes issued	(50,694,300)	
Bond issuance costs	769,380	
Bond premiums	(587,617)	
Capital lease financing	(20,052)	
Accrued interest	(622,491)	
Capital lease payments	15,748	
Interest payments	422,291	
Principal payments	2,725,880	
Payment to escrow agent for refunding	9,884,613	(38,106,548)
<p>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.</p>		
Amortization of loss on bond refunding	(95,491)	
Amortization of issuance costs	(39,659)	
Amortization of bond discounts	(10,042)	
Amortization of bond premiums	17,162	
Change in long-term compensated absences	(176,723)	(304,753)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net loss of the internal service funds is reported with governmental activities.</p>		
		1,169,022
Change in Net Assets of Governmental Activities (pages 6-7)		\$ (14,052,590)

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, 2006**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 11,107,328	\$ 11,107,328	\$ 11,164,336	\$ 57,008
Licenses and permits	5,750,000	5,750,000	6,191,477	441,477
Intergovernmental revenues	27,190,500	27,292,244	27,390,362	98,118
Charges for services	6,843,737	7,021,781	7,182,916	161,135
Fines and forfeits	845,000	845,000	947,605	102,605
Miscellaneous	771,000	926,798	853,773	(73,025)
Total Revenues	52,507,565	52,943,151	53,730,469	787,318
Expenditures:				
Current:				
General government	12,606,758	12,823,829	12,279,270	544,559
Public safety	22,150,675	22,510,232	22,331,714	178,518
Judicial	3,256,077	3,369,674	3,379,561	(9,887)
Public works	2,778,495	2,778,495	2,577,865	200,630
Health	1,121,264	1,217,388	1,158,981	58,407
Welfare	345,127	345,851	344,677	1,174
Culture and recreation	6,244,584	6,689,395	6,479,361	210,034
Community support	1,089,755	15,456,071	15,427,078	28,993
Economic opportunity	-	8,660,279	3,872,489	4,787,790
Total Expenditures	49,592,735	73,851,214	67,850,996	6,000,218
Excess (Deficiency) of Revenues over Expenditures	2,914,830	(20,908,063)	(14,120,527)	6,787,536
Other Financing Sources (Uses):				
Bonds issued	-	15,000,000	15,000,000	-
Premium on bonds issued	-	31,221	31,221	-
Capital leases	-	6,658	20,052	13,394
Transfers in	195,369	2,550,525	2,526,456	(24,069)
Transfers out	(7,023,503)	(3,873,503)	(4,157,320)	(283,817)
Contingency	(920,000)	(279,567)	-	279,567
Total Other Financing Sources (Uses)	(7,748,134)	13,435,334	13,420,409	(14,925)
Net Change in Fund Balances	(4,833,304)	(7,472,729)	(700,118)	6,772,611
Fund Balances, July 1	8,959,556	11,598,981	11,598,981	-
Fund Balances, June 30	\$ 4,126,252	\$ 4,126,252	\$ 10,898,863	\$ 6,772,611

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, 2006**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 2,628,000	\$ 2,628,000	\$ 2,525,824	\$ (102,176)
Intergovernmental revenues	2,637,525	2,650,020	12,495	(2,637,525)
Charges for services	3,200	3,200	-	(3,200)
Miscellaneous	1,735,000	1,735,000	300,172	(1,434,828)
Total Revenues	<u>7,003,725</u>	<u>7,016,220</u>	<u>2,838,491</u>	<u>(4,177,729)</u>
Expenditures:				
Current:				
Culture and recreation	7,841,091	19,866,101	1,093,491	18,772,610
Excess (Deficiency) of Revenues over Expenditures	(837,366)	(12,849,881)	1,745,000	14,594,881
Other Financing Sources (Uses):				
Sales of surplus property	-	3,620,000	3,620,000	-
Transfers out	(1,182,871)	(1,182,871)	(1,158,802)	24,069
Total Other Financing Sources (Uses)	<u>(1,182,871)</u>	<u>2,437,129</u>	<u>2,461,198</u>	<u>24,069</u>
Net Change in Fund Balances	(2,020,237)	(10,412,752)	4,206,198	14,618,950
Fund Balances, July 1	<u>4,579,324</u>	<u>12,971,839</u>	<u>12,971,839</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 2,559,087</u>	<u>\$ 2,559,087</u>	<u>\$ 17,178,037</u>	<u>\$ 14,618,950</u>

See accompanying notes.

CARSON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES -		
	SEWER	WATER	STORMWATER DRAINAGE
ASSETS			
Current assets (unrestricted):			
Cash and investments	\$ 5,525,275	\$ 6,391,277	\$ 4,812,768
Receivables:			
Accounts and contracts, net	309,526	611,795	52,191
Due from other governments	2,392,638	638,904	-
Inventories	-	314,709	-
Prepaid items	11,576	1,375	429
Total Current Assets (Unrestricted)	8,239,015	7,958,060	4,865,388
Current assets (restricted):			
Cash and investments	63,492	418,762	-
Total Current Assets	8,302,507	8,376,822	4,865,388
Noncurrent assets (restricted):			
Cash and investments	2,598,135	-	-
Other assets	70,583	283,306	122,955
Capital assets:			
Land	757,704	446,506	1,564,769
Buildings	10,298,162	1,585,664	-
Improvements other than buildings	78,121,085	58,330,334	1,129,609
Machinery and equipment	3,136,410	1,514,175	383,417
Water rights	-	8,007,260	-
Construction in progress	9,365,979	6,232,698	43,977
Total Capital Assets	101,679,340	76,116,637	3,121,772
Less: Accumulated depreciation	(37,287,386)	(21,570,047)	(35,465)
Net Capital Assets	64,391,954	54,546,590	3,086,307
Total Noncurrent Assets	67,060,672	54,829,896	3,209,262
Total Assets	75,363,179	63,206,718	8,074,650

See accompanying notes.

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 3,493,425	\$ 20,222,745	\$ 5,124,790
1,567,733	2,541,245	222,672
-	3,031,542	83,044
6,716	321,425	56,509
424	13,804	17,471
<u>5,068,298</u>	<u>26,130,761</u>	<u>5,504,486</u>
-	482,254	-
<u>5,068,298</u>	<u>26,613,015</u>	<u>5,504,486</u>
-	2,598,135	-
-	476,844	-
307,969	3,076,948	-
443,841	12,327,667	-
173,211	137,754,239	-
3,166,479	8,200,481	37,708
-	8,007,260	-
-	15,642,654	-
<u>4,091,500</u>	<u>185,009,249</u>	<u>37,708</u>
<u>(1,131,415)</u>	<u>(60,024,313)</u>	<u>(12,263)</u>
<u>2,960,085</u>	<u>124,984,936</u>	<u>25,445</u>
<u>2,960,085</u>	<u>128,059,915</u>	<u>25,445</u>
<u>8,028,383</u>	<u>154,672,930</u>	<u>5,529,931</u>

See accompanying notes.

CARSON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006
(PAGE 2 OF 2)

BUSINESS-TYPE ACTIVITIES -

	SEWER	WATER	STORMWATER DRAINAGE
LIABILITIES			
Current liabilities payable from unrestricted assets:			
Accounts payable	\$ 234,261	\$ 448,732	\$ 84,163
Accrued salaries and benefits	38,516	47,640	5,079
Accrued interest	198,066	193,350	18,067
Due to other governments	24,381	140,629	-
Due to other funds	-	-	-
Unearned revenue	-	-	-
Other current liabilities	-	-	-
Current portion:			
Commitments payable	-	15,306	-
General obligation bonds and notes payable	1,232,544	2,040,000	210,000
Total Current Liabilities Payable from Unrestricted Assets	1,727,768	2,887,657	317,309
Current liabilities payable from restricted assets:			
Construction contracts, retained percent	53,479	404,024	-
Connection deposits	10,013	14,738	-
Total Current Liabilities Payable from Restricted Assets	63,492	418,762	-
Total Current Liabilities	1,791,260	3,306,419	317,309
Noncurrent liabilities:			
Accrued compensated absences	160,413	158,990	26,792
Other liabilities	-	-	-
Closure / post closure care costs	-	-	-
General obligation bonds and notes payable	16,718,294	25,209,677	5,609,685
Total Noncurrent Liabilities	16,878,707	25,368,667	5,636,477
Total Liabilities	18,669,967	33,675,086	5,953,786
NET ASSETS			
Invested in capital assets, net of related debt	46,257,666	27,413,218	1,835,868
Restricted for emergency replacement	2,598,135	-	-
Unrestricted	7,837,411	7,118,414	284,996
Total Net Assets	\$ 56,693,212	\$ 34,531,632	\$ 2,120,864

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

Net assets of business - type activities

See accompanying notes.

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 544,346	\$ 1,311,502	\$ 898,074
80,230	171,465	19,123
986	412,469	-
12,503	177,513	-
150,000	150,000	-
255,350	255,350	547
-	-	661,394
-	15,306	-
140,000	3,622,544	-
<u>1,183,415</u>	<u>6,116,149</u>	<u>1,579,138</u>
-	457,503	-
-	24,751	-
-	482,254	-
<u>1,183,415</u>	<u>6,598,403</u>	<u>1,579,138</u>
263,600	609,795	122,540
-	-	60,276
2,361,543	2,361,543	-
150,000	47,687,656	-
<u>2,775,143</u>	<u>50,658,994</u>	<u>182,816</u>
3,958,558	57,257,397	1,761,954
2,623,136	78,129,888	25,445
-	2,598,135	-
1,446,689	16,687,510	3,742,532
<u>\$ 4,069,825</u>	<u>97,415,533</u>	<u>\$ 3,767,977</u>
	(347,075)	
	<u>\$ 97,068,458</u>	

See accompanying notes.

CARSON CITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	BUSINESS-TYPE ACTIVITIES -		
	SEWER	WATER	STORMWATER DRAINAGE
Operating Revenues:			
Charges for services	\$ 4,941,436	\$ 6,533,182	\$ 998,097
Operating Expenses:			
Salaries and wages	1,187,038	1,213,060	176,339
Employee benefits	408,845	411,003	50,575
Services and supplies	2,855,072	3,697,617	255,023
Depreciation	2,437,425	1,649,884	35,465
Total Operating Expenses	6,888,380	6,971,564	517,402
Operating Income (Loss)	(1,946,944)	(438,382)	480,695
Nonoperating Revenues (Expenses):			
Investment income	173,769	129,697	98,110
Intergovernmental revenues	1,235,680	550,792	200,000
Miscellaneous	6,475	117,528	-
Interest expense	(740,267)	(1,235,173)	(221,825)
Gain (loss) on sales of capital assets	-	(71,694)	-
Bond issuance costs	(4,888)	(18,740)	(6,721)
Total Nonoperating Revenues (Expenses)	670,769	(527,590)	69,564
Income (Loss) Before Contributions and Transfers	(1,276,175)	(965,972)	550,259
Capital Contributions:			
Capital assets	-	-	1,564,769
Developers	1,089,871	743,496	-
Connection fees	1,856,648	1,218,542	-
Total Capital Contributions	2,946,519	1,962,038	1,564,769
Transfers In	-	-	700,535
Transfers Out	-	-	-
Change in Net Assets	1,670,344	996,066	2,815,563
Net Assets, July 1, as Previously Reported	55,022,868	33,535,566	(694,699)
Prior period adjustment - error correction	-	-	-
Net Assets, July 1, as Adjusted	55,022,868	33,535,566	(694,699)
Net Assets, June 30	\$ 56,693,212	\$ 34,531,632	\$ 2,120,864

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

Change in net assets of business - type activities

See accompanying notes.

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 7,363,185	\$ 19,835,900	\$ 10,727,753
2,362,915	4,939,352	646,507
1,043,312	1,913,735	224,207
3,209,056	10,016,768	9,384,488
241,834	4,364,608	1,729
6,857,117	21,234,463	10,256,931
506,068	(1,398,563)	470,822
74,784	476,360	94,573
-	1,986,472	42,289
52,280	176,283	86,226
(16,775)	(2,214,040)	-
(82,896)	(154,590)	114,773
-	(30,349)	-
27,393	240,136	337,861
533,461	(1,158,427)	808,683
69,929	1,634,698	20,419
-	1,833,367	-
-	3,075,190	-
69,929	6,543,255	20,419
-	700,535	500,000
(150,000)	(150,000)	-
453,390	5,935,363	1,329,102
4,973,951		2,438,875
(1,357,516)	(1,357,516)	-
3,616,435		2,438,875
\$ 4,069,825		\$ 3,767,977
	160,080	
	\$ 4,737,927	

See accompanying notes.

**CARSON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(PAGE 1 OF 2)**

BUSINESS-TYPE ACTIVITIES -

	SEWER	WATER	STORMWATER DRAINAGE
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received for services	\$ 3,715,362	\$ 6,432,352	\$ 878,401
Cash payments for personnel costs	(1,641,320)	(1,735,852)	(195,043)
Cash payments for services and supplies	(2,879,769)	(3,802,450)	(283,235)
Miscellaneous cash received	6,475	117,528	-
Net Cash Provided (Used) by Operating Activities	<u>(799,252)</u>	<u>1,011,578</u>	<u>400,123</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer from other funds	-	-	700,535
Transfer to other funds	-	-	-
Subsidy from federal grant	1,235,680	482,041	100,000
Subsidy from state grant	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,235,680</u>	<u>482,041</u>	<u>800,535</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital debt	-	-	-
Proceeds from sales of capital assets	-	-	-
Connection fees	1,856,648	1,218,542	-
Acquisition of capital assets	(3,404,792)	(6,730,834)	(1,205,826)
Principal paid on capital debt	(1,168,313)	(1,815,000)	(205,000)
Interest paid on capital debt	(762,248)	(1,225,667)	(209,604)
Bond issuance costs	(447)	(1,744)	(250)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,479,152)</u>	<u>(8,554,703)</u>	<u>(1,620,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	173,769	129,697	98,110
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,868,955)</u>	<u>(6,931,387)</u>	<u>(321,912)</u>
Cash and Cash Equivalents, July 1	<u>11,055,857</u>	<u>13,741,426</u>	<u>5,134,680</u>
Cash and Cash Equivalents, June 30	<u>\$ 8,186,902</u>	<u>\$ 6,810,039</u>	<u>\$ 4,812,768</u>

See accompanying notes.

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 6,871,539	\$ 17,897,654	\$ 10,469,128
(3,520,387)	(7,092,602)	(890,920)
(2,804,653)	(9,770,107)	(8,814,087)
52,280	176,283	86,226
<u>598,779</u>	<u>1,211,228</u>	<u>850,347</u>
-	700,535	500,000
(150,000)	(150,000)	-
-	1,817,721	42,289
<u>-</u>	<u>-</u>	<u>-</u>
(150,000)	2,368,256	542,289
-	-	-
-	-	115,606
-	3,075,190	-
(531,053)	(11,872,505)	-
(135,000)	(3,323,313)	-
(17,225)	(2,214,744)	-
<u>-</u>	<u>(2,441)</u>	<u>-</u>
(683,278)	(14,337,813)	115,606
<u>74,786</u>	<u>476,362</u>	<u>94,572</u>
(159,713)	(10,281,967)	1,602,814
3,653,138	33,585,101	3,521,976
<u>\$ 3,493,425</u>	<u>\$ 23,303,134</u>	<u>\$ 5,124,790</u>

See accompanying notes.

CARSON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(PAGE 2 OF 2)

BUSINESS-TYPE ACTIVITIES -

	SEWER	WATER	STORMWATER DRAINAGE
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (1,946,944)	\$ (438,382)	\$ 480,695
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	2,437,425	1,649,884	35,465
Provision for uncollectible accounts	-	-	-
Nonoperating revenues	6,475	117,528	-
Changes in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	11,357	(128,403)	(19,696)
Due from other governments	(1,235,681)	27,573	-
Inventories	-	(59,038)	-
Prepaid items	(11,321)	(1,175)	(429)
Increase (decrease) in:			
Accounts payable	(37,757)	2,546	(27,783)
Accrued salaries and benefits	(44,918)	(65,055)	5,079
Due to other governments	-	(41,342)	-
Due to other funds	24,381	-	-
Unearned revenue	-	-	(100,000)
Connection deposits	(1,750)	(5,824)	-
Accrued compensated absences	(519)	(46,734)	26,792
Other liabilities	-	-	-
Closure/post closure care costs	-	-	-
Total Adjustments	1,147,692	1,449,960	(80,572)
Net Cash Provided (Used) by Operating Activities	\$ (799,252)	\$ 1,011,578	\$ 400,123
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Purchase of capital assets on account	\$ 130,970	\$ 2,764,313	\$ 64,276
Purchase of capital assets due to other governments	-	34,663	-
Retainage payable on construction of capital assets	53,479	404,025	-
Contributed capital assets	-	-	1,564,769

See accompanying notes.

<u>ENTERPRISE FUNDS</u>		<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
<u>OTHER ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	
\$ 506,068	\$ (1,398,563)	\$ 470,822
241,834	4,364,608	1,729
805,428	805,428	-
52,280	176,283	86,226
(1,331,134)	(1,467,876)	(195,100)
18,000	(1,190,108)	(3,764)
(14)	(59,052)	53,251
193	(12,732)	(17,471)
127,140	64,146	532,714
(109,351)	(214,245)	(24,947)
12,413	(28,929)	(42,289)
150,000	174,381	-
16,060	(83,940)	547
-	(7,574)	-
(4,809)	(25,270)	4,742
-	-	(16,113)
114,671	114,671	-
92,711	2,609,791	379,525
\$ 598,779	\$ 1,211,228	\$ 850,347
\$ -	\$ 2,959,559	\$ -
-	34,663	-
-	457,504	-
69,929	1,634,698	20,419

See accompanying notes.

CARSON CITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	INVESTMENT TRUST FUND	AGENCY FUNDS
ASSETS		
Cash and investments	\$ 2,840,777	\$ 16,504,768
Taxes receivable, delinquent	-	114,083
Due from other governments	-	794,729
Total Assets	<u>2,840,777</u>	<u>17,413,580</u>
LIABILITIES		
Accounts payable	-	239,628
Due to other governments	-	17,166,903
Other liabilities	-	7,049
Total Liabilities	<u>-</u>	<u>17,413,580</u>
NET ASSETS		
Held in trust for pool participants	<u>\$ 2,840,777</u>	<u>\$ -</u>

See accompanying notes.

CARSON CITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	INVESTMENT TRUST FUND
ADDITIONS	
Investment income	\$ 103,362
Capital share transactions:	
Shares sold	5,542,947
Total Additions	5,646,309
DEDUCTIONS	
Capital share transactions:	
Shares redeemed	5,264,304
Change in Net Assets	382,005
Net Assets, July 1	2,458,772
Net Assets, June 30	\$ 2,840,777

See accompanying notes.

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

The *Capital Facilities Fund* is used to account for the acquisition, construction, or renovation of City 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.

The *Stormwater Drainage Fund* accounts for the activities of the City's stormwater management program.

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.

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

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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.

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.

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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, 2006 was \$1,916,375.

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.

4. Inventories and Prepaid Items

The City's policy is to value inventories in Governmental Funds at average cost, while Enterprise Fund inventories are valued 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 in the Sewer Enterprise Fund are restricted for plant expansion and emergency replacement in accordance with grant agreements. In addition, amounts for connection deposits and construction contract retentions in the Sewer and Water Enterprise Funds are restricted given contractual requirements.

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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	30-50
Machinery and equipment	5-20
Infrastructure	30-50

The retroactive reporting of infrastructure is subject to an extended implementation period and is first mandated for the fiscal year ending in 2007. The City has elected to implement the retroactive infrastructure provisions in the fiscal year ending June 30, 2007.

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.

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.

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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 2006-2007 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.

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.

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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 year with the following possible exceptions:

- Actual expenditures exceeded appropriations in the Judicial Function of the General Fund by \$9,887. This is an apparent violation of NRS 354.626.
- Actual expenditures exceeded appropriations in the Welfare Function of the Supplemental Indigent Special Revenue Fund by \$26,918. This is an apparent violation of NRS 354.626.
- Actual expenditures exceeded appropriations in the Economic Opportunity Function of the Capital Acquisition and Development Special Revenue Fund by \$24,001. This is an apparent violation of NRS 354.626.
- Actual expenditures exceeded appropriations in the Public Safety Function of the Firefighter Retirement Medical Special Revenue Fund by \$4,057. While this could appear to be an apparent violation of NRS 354.626, the overexpenditure occurred as a result of payments made under an agreement with an employee organization. Such payments are specifically excluded from the overexpenditure provisions of NRS 354.626.
- Actual expenditures exceeded appropriations in the Redevelopment Debt Service Fund by \$35,591. These overexpenditures were funded by available fund balance and are not apparent violations of NRS.
- Actual expenses exceeded appropriations in the Ambulance Enterprise Fund by \$32,400. This is an apparent violation of NRS 354.626.
- Actual expenses exceeded appropriations in the Cemetery Enterprise Fund by \$5,070. This is an apparent violation of NRS 354.626.

C. SHORTFALL IN RESERVED AND UNRESERVED/DESIGNATED FUND BALANCES

The Stabilization, Firefighter Retirement Medical, Carson City Transit, and V & T Special Infrastructure Special Revenue Funds' fund balances were insufficient to cover the budgeted July 1, 2006 opening fund