



CARSON CITY, NEVADA

*COMPREHENSIVE ANNUAL
FINANCIAL REPORT*

YEAR ENDED JUNE 30, 2007

CARSON CITY, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i-vi
GFOA Certificate of Achievement	vii
Organization Chart	viii
Listing of Principal Officials	ix
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (required supplementary information)	3A-3L
<u>Basic Financial Statements:</u>	
Government-Wide Financial Statements:	
Statement of Net Assets	4-5
Statement of Activities	6-7
Fund Financial Statements:	
Balance Sheet – Governmental Funds	8-9
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11-12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the Quality of Life Fund	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the Airport Fund	16
Statement of Net Assets – Proprietary Funds	17-20
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	21-22
Statement of Cash Flows – Proprietary Funds	23-26
Statement of Fiduciary Net Assets – Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	28
Notes to Financial Statements	29-53
<u>Combining and Individual Fund Statements and Schedules:</u>	
Governmental Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	54-67
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Quality of Life Fund	68-69
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Airport Fund	70

CARSON CITY, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS (Continued)

	Page
Nonmajor Governmental Funds Combining Balance Sheet	71
Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	72
Nonmajor Special Revenue Funds Combining Balance Sheet	73-77
Nonmajor Special Revenue Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	78-83
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Senior Citizens Center Fund	84
Cooperative Extension Fund	85
Traffic Transportation Fund	86
Supplemental Indigent Fund	87
Library Gift Fund	88
Administrative Assessments Fund	89
Regional Transportation Fund	90
Capital Projects Fund	91-92
Street Maintenance Fund	93
Capital Acquisition and Development Fund	94-95
Stabilization Fund	96
Redevelopment Administration Fund	97
Continuous Quality Improvement Fund	98
Firefighter Retirement Medical Fund	99
Waterfall Fire Fund	100
Carson City Transit Fund	101
Commissary Fund	102
V & T Special Infrastructure Fund	103
2006 Flood Fund	104
Grant Fund	105-106
Nonmajor Debt Service Funds Combining Balance Sheet	107
Nonmajor Debt Service Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	108
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Carson City Debt Service Fund	109-110
Redevelopment Debt Service Fund	111
Nonmajor Capital Projects Funds Combining Balance Sheet	112
Nonmajor Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	113
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Capital Facilities Fund	114
Residential Construction Fund	115
Redevelopment Revolving Fund	116

CARSON CITY, NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS (Continued)

	Page
Proprietary Funds:	
Major Enterprise Funds:	
Sewer Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	117
Schedule of Cash Flows – Budget and Actual	118-119
Water Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	120
Schedule of Cash Flows – Budget and Actual	121-122
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	123-124
Combining Statement of Revenues, Expenses, and Changes in Net Assets	125-126
Combining Statement of Cash Flows	127-130
Ambulance Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	131
Schedule of Cash Flows – Budget and Actual	132
Cemetery Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	133
Schedule of Cash Flows – Budget and Actual	134
Carson City Sanitary Landfill Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	135
Schedule of Cash Flows – Budget and Actual	136-137
Building Permits Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	138
Schedule of Cash Flows – Budget and Actual	139
Stormwater Drainage Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets (Deficit) – Budget and Actual	140
Schedule of Cash Flows – Budget and Actual	141-142
Internal Service Funds:	
Combining Statement of Net Assets	143-144
Combining Statement of Revenues, Expenses, and Changes in Net Assets	145-146
Combining Statement of Cash Flows	147-148
Group Medical Insurance Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	149
Schedule of Cash Flows – Budget and Actual	150
Workers' Compensation Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	151
Schedule of Cash Flows – Budget and Actual	152
Insurance Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	153
Schedule of Cash Flows – Budget and Actual	154
Fleet Management Fund:	
Schedule of Revenues, Expenses, and Changes in Net Assets – Budget and Actual	155
Schedule of Cash Flows – Budget and Actual	156

CARSON CITY, NEVADA

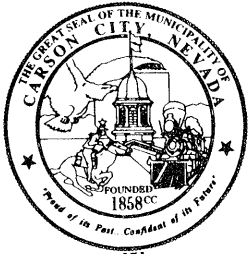
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS (Continued)

	Page
Fiduciary Funds:	
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	157-160
STATISTICAL SECTION	
Schedule 1.1 – Net Assets by Component	161
Schedule 1.2 – Changes in Net Assets	162
Schedule 1.3 – Fund Balances, Governmental Funds	163
Schedule 1.4 – Changes in Fund Balances, Governmental Funds	164
Schedule 2.1 – Assessed and Estimated Actual Value of Taxable Property	165
Schedule 2.2 – Direct and Overlapping Property Tax Rates	166
Schedule 2.3 – Ten Largest Assessed Valuations	167
Schedule 2.4 – Property Tax Levies and Collections	168
Schedule 3.1 – Ratios of Outstanding Debt by Type	169
Schedule 3.2 – General Obligation Direct and Overlapping Debt	170
Schedule 3.3 – Legal Debt margin Information	171
Schedule 3.4 – Pledged Revenue Coverage	172
Schedule 4.1 – Demographic and Economic Statistics	173
Schedule 4.2 – Principal Employers	174
Schedule 5.1 – Full-time Equivalent City Government Employees by Function	175
Schedule 5.2 – Operating Indicators by Function/Program	176
Schedule 5.3 – Capital Assets Statistics by Function/Program	177
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	178-179
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	180-181
Schedule of Expenditures of Federal Awards	182-186
Notes to the Schedule of Expenditures of Federal Awards	187
Schedule of Findings and Questioned Costs	188-196
Summary Schedule of Prior Year Findings	197-200
Independent Accountant’s Report on Nevada Revised Statute 354.6241	201
Auditor’s Comments:	
Statute Compliance	202
Progress on Prior Year Statute Compliance	202
Prior Year Recommendations	202
Current Year Recommendations	202
Schedule of Fees Imposed Subject to the Provisions of NRS 354.5989 – Limitation of Fees for Business Licenses	203

INTRODUCTORY SECTION

This page intentionally left blank



CARSON CITY, NEVADA

CONSOLIDATED MUNICIPALITY AND STATE CAPITAL

November 30, 2007

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, 2007, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that Carson City issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

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

Kafoury, Armstrong & Co., Certified Public Accountants, have issued an unqualified opinion on Carson City's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Carson City's MD&A can be found immediately following the report of the independent auditors.

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

DEPARTMENT OF FINANCE

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

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

THE CITY AND ITS GOVERNING BODY

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

Carson City has a land area of 147 square miles and an estimated population of 57,701 as of July 1, 2007. The City is empowered to levy a property tax on both real and personal property located within its boundaries. Real and personal taxable property located within the City has an estimated market value of \$4,095,153,171 and an assessed value of \$1,433,303,610.

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

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

LOCAL ECONOMY

Carson City is located in the Northwestern part of the State. Nevada's rate of growth in population is one of the highest in the country and is expected to continue over the next several years. The Nevada State Demographer reported a 1% increase in Carson City's population between July 1, 2005 and July 1, 2006. Looking at the past 5 years, Carson City's growth rate has averaged 1.5% per year. Neighboring counties are experiencing much higher growth rates. Douglas County saw an increase of 3% and Lyon County experienced an increase of 10.6% in population between 2005 and 2006. This growth in the region provides a positive impact on economic activity as Carson City serves as a service center for the

region. During the past year, Carson City experienced a general slow down in the real estate market, not unlike the region, the state and the nation.

The real estate slow down has impacted sales tax revenues in Carson City as well as the region. As a result, actual general fund intergovernmental revenues, a significant portion of which are made up of sales taxes revenues, were \$1.8 million less than the final budget. Planned expenditures were reduced during the last half of the fiscal year in response to this reduction in revenue. At the end of the current fiscal year, total fund balance of the general fund exceeded the final budget by \$6,604,317. Of this amount, \$4.85 million is unspent incentives for business retention and recruitment that will be carried over to the next fiscal year. The remaining balance of \$1.75 million is evidence that these mid year reductions effectively offset the reduction in revenues. Continued reductions in sales taxes are anticipated and continued reductions in expenditures are being evaluated. During FY 2002/2003, Carson City established the Stabilization Fund which may be used to offset reductions in tax revenues such as sales tax. In years in which growth in sales taxes was experienced, funds were transferred into the Stabilization Fund in order to build a reserve to buffer normal economic cycles. Continued declines in sales tax revenues could bring about the need to draw from the Stabilization Fund in Fiscal Year 2007/2008 in order to maintain public service levels.

The assessed valuation of Carson City continues to increase. Due to a cap on the growth in property tax for existing property and improvements approved by the 2005 Nevada State Legislature, the real growth in tax revenues is limited. The growth in the tax bill for residential property is limited to 3% annual growth and commercial property can grow by a maximum of 8% per year. Only new construction is outside of this cap for the first year it is on the tax rolls. The difference between the actual tax calculation (assessed valuation (x) tax rate) and the capped tax calculation is termed the "abatement". In the general fund, this abatement amount exceeded \$7 million in FY 2007/2008.

When compiling the budget for FY 2007/08, it was determined that there was an urgent need for two deputy sheriff positions and one deputy district attorney. In order to fund these positions and to help offset the loss in sales tax revenues experienced in FY 2006/2007 an increase in franchise fees was approved. This increase was made effective August 1, 2007. No further increases in franchise fees can be approved until fiscal 2009/2010.

LONG-TERM FINANCIAL PLANNING

During FY 2006/2007, fees charged at the Carson City Landfill were set based upon regional market rates rather than actual costs. The resultant change in rates has produced revenues in excess of expenses in the Carson City Sanitary Landfill Fund. These excess revenues will be used to fund economic development activities, capital expenditures and replenishment of the Stabilization Fund.

Carson City remains very active in recruiting retail development in order to enhance the sales tax base. So far in FY 2007/2008, development agreements have been reached with a retail developer to fill a vacant big box. This follows a development agreement approved in FY 2006/2007 with a local auto dealer that will provide for a new automotive retail store. Both of these will provide enhancement of our sales tax base for the future.

RELEVANT FINANCIAL POLICIES

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

MAJOR INITIATIVES

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

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

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

FINANCIAL INFORMATION

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

As a part of Carson City's single audit, described earlier, testing of internal control and compliance is performed as it relates to federal programs. The results of the single audit for the fiscal year ended June 30, 2007 provided no instances of non-compliance with the requirements applicable to each of the City's major federal programs or matters involving the

internal control over compliance and its operation that were considered to be material weaknesses.

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

CASH MANAGEMENT. Cash temporarily idle during the year was invested in U.S. Government Securities, corporate bonds and the State of Nevada Local Government Investment Pool. The City follows the pooled cash concept which allows greater investment flexibility and greater investment returns. As of June 30, 2007, the City had total cash investments of \$99,749,318.

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 based on established statutory limits. The Pool obtains independent coverage for insured events in excess of these limits. The City retains liability for claims for the period from July 1, 1992 to June 30, 2003 when the City was self-insured. The Workers' Compensation Fund (an internal service fund) is used to account for the payment of insurance premiums and for funding the liability for the period when the City was self-insured.

OTHER INFORMATION

AWARDS. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Carson City for its comprehensive annual financial report for the fiscal year ended June 30, 2006. 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 seventeen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Ritter". The signature is fluid and cursive, with a large initial "L" and "R".

Linda Ritter
City Manager/Acting Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carson City
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

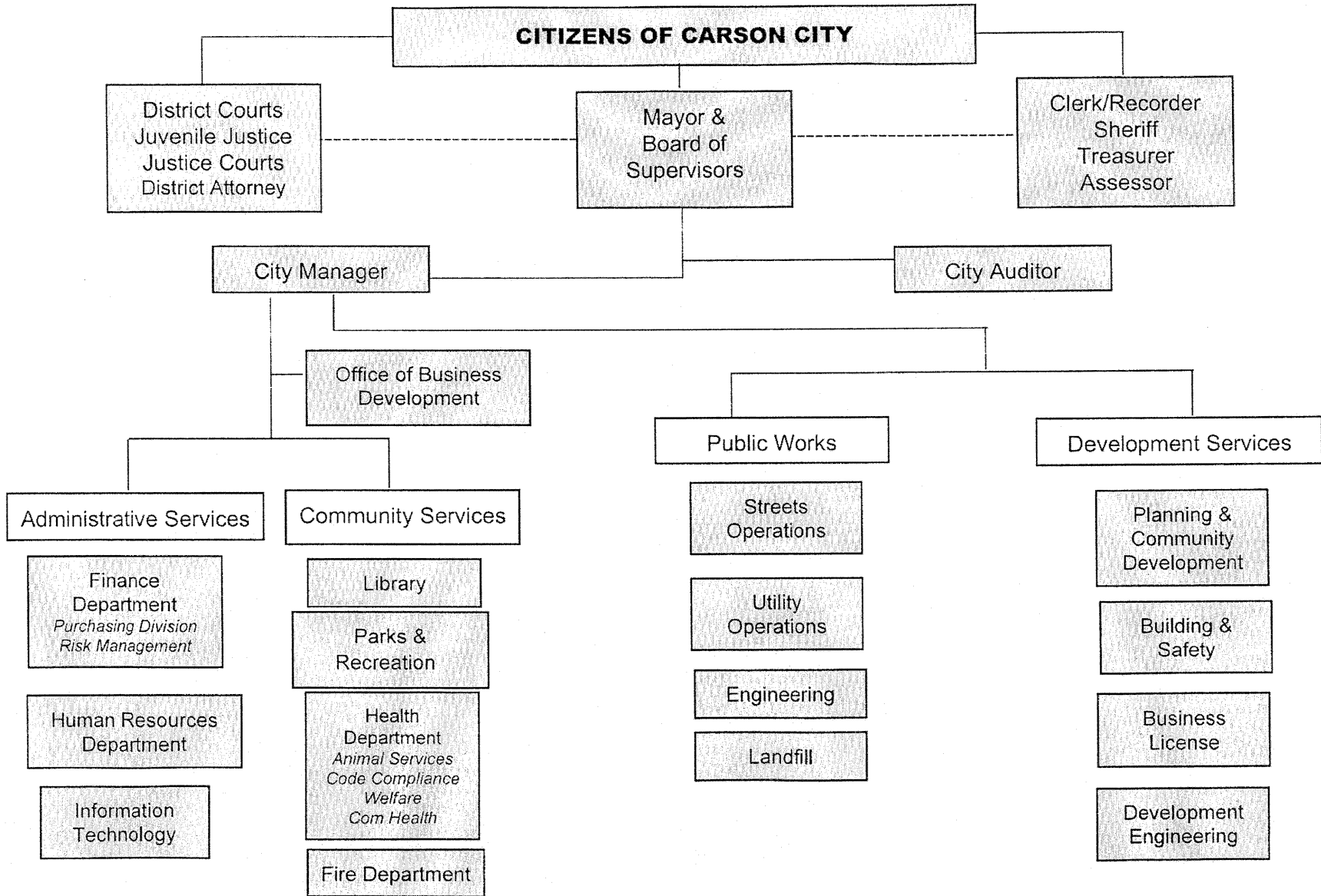
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Carson City Organizational Chart



CARSON CITY
LISTING OF PRINCIPAL OFFICIALS
FY 2007

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

This page intentionally left blank

FINANCIAL SECTION

This page intentionally left blank



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, 2007, which collectively comprise Carson City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Carson City, Nevada. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Airport Authority of Carson City, Nevada or the Carson City Convention and Visitors' Bureau, both of which are discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City, Nevada, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, the Quality of Life Special Revenue Fund and the Airport Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

This page intentionally left blank

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007 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 fund statements and schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Carson City, Nevada. The combining and individual fund statements and schedules and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kafoory, Armstrong & Co.

Reno, Nevada
November 30, 2007

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, 2007. 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 \$251,298,528 (*net assets*). Of this amount, \$14,440,598 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$26,189,004. Approximately, half of this increase is attributable to capital assets contributed by developers, connection fees in the Sewer and Water funds and investment earnings. The remaining increase is due to capital grants related to airport development.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$57,678,274, a decrease of \$8,094,292 in comparison with the prior year. \$56,872,319 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 \$10,881,718, or 21 percent of total General Fund expenditures.
- The City's total bonded debt increased by \$3,621,614 (3 percent) during the current fiscal year. The key factor in this increase was the issuance of general obligation revenue bonds in the amount of \$10,047,500 for the Water Fund.

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 Airport 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, Quality of Life Fund and the Airport Fund, major governmental funds, are located in the basic financial statements and budgetary comparison schedules for the nonmajor governmental funds are provided in the individual funds statements.

The basic governmental fund financial statements can be found on pages 8-16 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 and sewer operations, both of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Data from the other five 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 17-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial 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 27-28 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 29-53 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 54-156 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 \$251,298,528 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (81 percent) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carson City's Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 77,298,334	\$ 79,348,431	\$ 33,392,976	\$ 29,190,919	\$ 110,691,310	\$ 108,539,350
Capital assets	172,286,623	107,029,699	132,763,549	124,984,936	305,050,172	232,014,635
Total assets	249,584,957	186,378,130	166,156,525	154,175,855	415,741,482	340,553,985
Long-term liabilities outstanding	87,421,893	90,341,400	60,443,337	54,281,538	147,865,230	144,622,938
Other liabilities	13,899,698	8,706,417	2,678,026	2,825,859	16,577,724	11,532,276
Total liabilities	101,321,591	99,047,817	63,121,363	57,107,397	164,442,954	156,155,214
Net assets:						
Invested in capital assets, net of related debt	120,602,072	65,849,092	84,123,860	78,129,888	204,725,932	143,978,980
Restricted	29,389,902	24,871,291	2,742,096	2,598,135	32,131,998	27,469,426
Unrestricted	(1,728,608)	(3,390,070)	16,169,206	16,340,435	14,440,598	12,950,365
Total net assets	\$ 148,263,366	\$ 87,330,313	\$ 103,035,162	\$ 97,068,458	\$ 251,298,528	\$ 184,398,771

An additional portion of the City's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,440,598) 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. This was the same as the prior fiscal year.

The City's net assets increased \$26,189,004 during the current fiscal year. The majority of this increase is attributable to an increase in capital grants and contributions in the airport and public works functions and a decrease in community support expenditures in the governmental activities. The remaining increase was the result of investment income in the governmental and business-type activities and capital assets contributed by developers and connection fees in the Sewer and Water Funds.

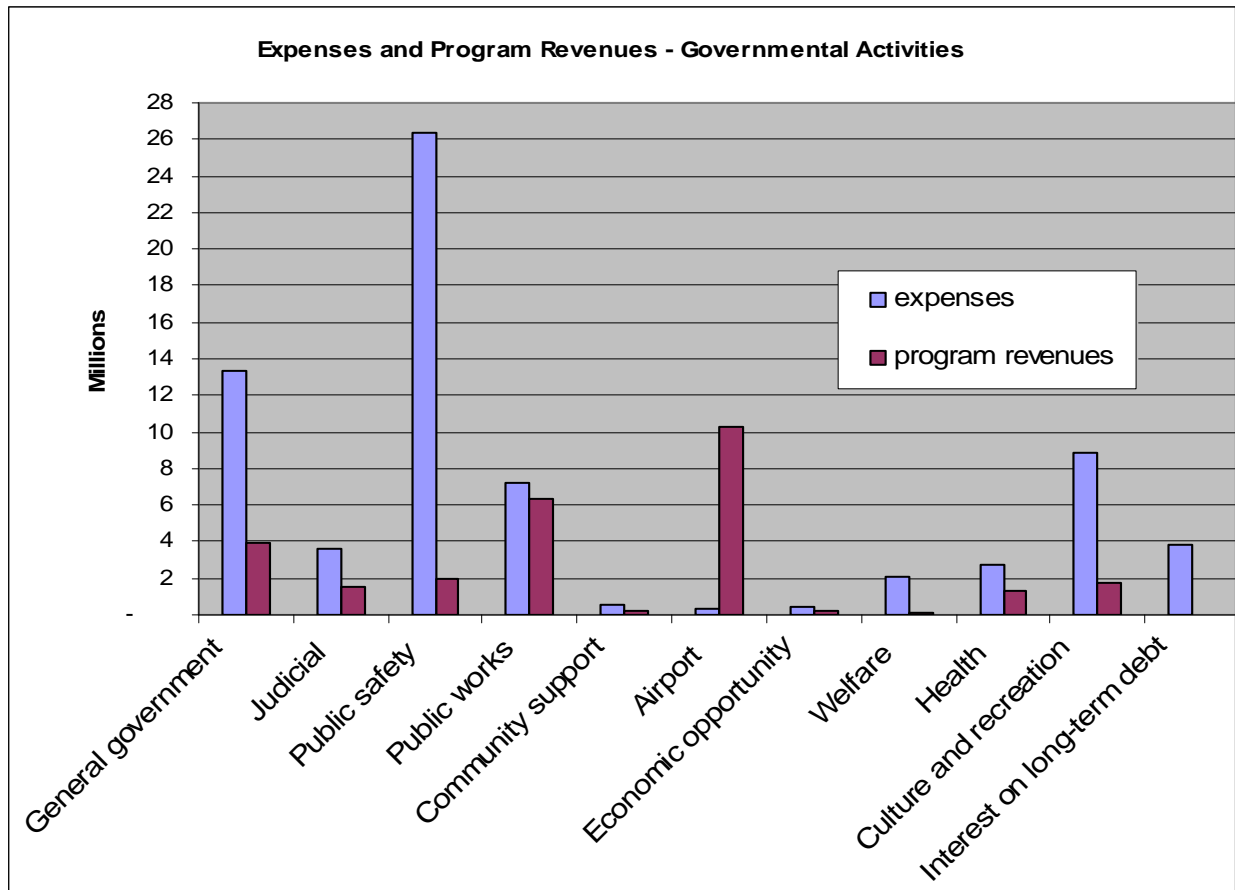
Carson City's Changes in Net Assets

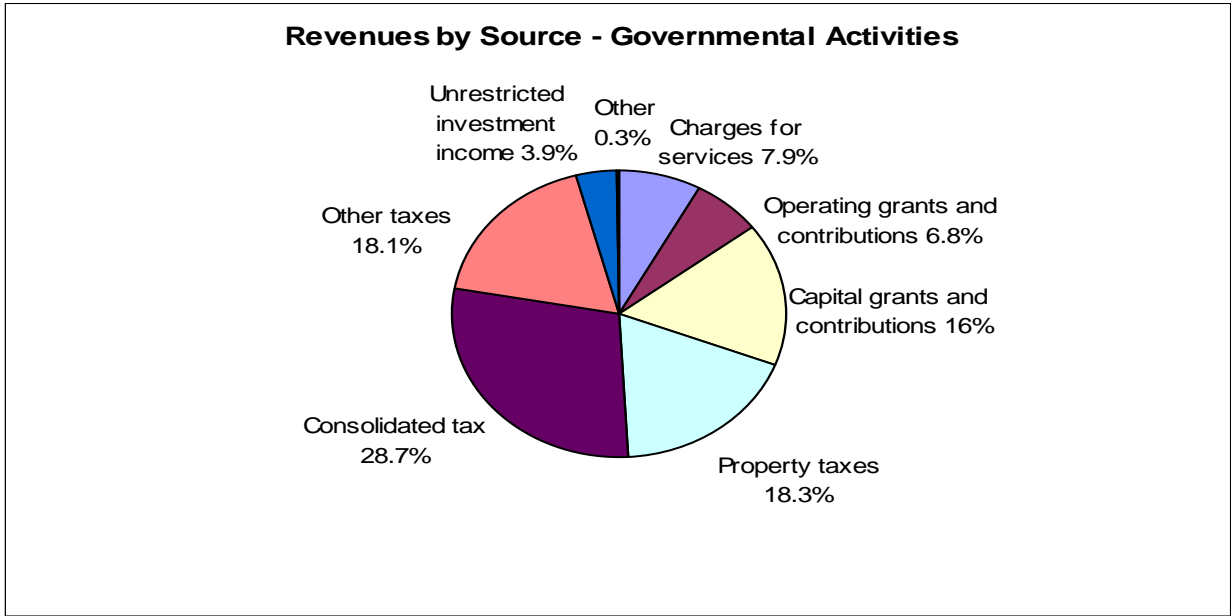
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 7,194,480	\$ 7,249,876	\$ 22,492,588	\$ 19,894,278	\$ 29,687,068	\$ 27,144,154
Operating grants and contributions	6,129,717	8,678,963	-	12,538	6,129,717	8,691,501
Capital grants and contributions	14,492,662	51,789	6,462,247	7,000,395	20,954,909	7,052,184
General revenues:						
Property taxes	16,538,908	14,842,941	-	-	16,538,908	14,842,941
Other taxes	42,298,650	42,221,901	-	-	42,298,650	42,221,901
Other	3,777,575	2,895,146	1,319,813	476,360	5,097,388	3,371,506
Total Revenues	90,431,992	75,940,616	30,274,648	27,383,571	120,706,640	103,324,187
Expenses:						
General government	13,329,480	15,920,465	-	-	13,329,480	15,920,465
Judicial	3,656,007	3,505,076	-	-	3,656,007	3,505,076
Public safety	26,333,209	25,401,443	-	-	26,333,209	25,401,443
Public works	7,205,824	7,205,695	-	-	7,205,824	7,205,695
Community support	552,307	15,427,942	-	-	552,307	15,427,942
Airport	348,318	85,514	-	-	348,318	85,514
Economic opportunity	485,422	4,466,036	-	-	485,422	4,466,036
Welfare	2,074,309	2,038,709	-	-	2,074,309	2,038,709
Health	2,736,463	1,808,078	-	-	2,736,463	1,808,078
Culture and recreation	8,897,085	8,885,644	-	-	8,897,085	8,885,644
Interest and fiscal charges	3,844,651	3,078,771	-	-	3,844,651	3,078,771
Landfill	-	-	2,057,836	1,889,185	2,057,836	1,889,185
Ambulance	-	-	3,314,417	3,159,589	3,314,417	3,159,589
Sewer	-	-	7,751,960	7,592,212	7,751,960	7,592,212
Water	-	-	9,143,663	8,228,357	9,143,663	8,228,357
Cemetery	-	-	201,439	214,107	201,439	214,107
Building Permits	-	-	1,724,380	1,629,333	1,724,380	1,629,333
Stormwater Drainage	-	-	860,866	745,178	860,866	745,178
Total Expenses	69,463,075	87,823,373	25,054,561	23,457,961	94,517,636	111,281,334
Increase (decrease) in net assets before transfers	20,968,917	(11,882,757)	5,220,087	3,925,610	26,189,004	(7,957,147)
Transfers	(746,617)	(2,169,833)	746,617	2,169,833	-	-
Increase (decrease) in net assets	20,222,300	(14,052,590)	5,966,704	6,095,443	26,189,004	(7,957,147)
Net assets - July 1, as Previously Reported	87,330,313	101,382,903	97,068,458	92,330,531	184,398,771	193,713,434
Cumulative effect of a change in accounting principle	40,710,753	-	-	-	40,710,753	-
Prior period adjustment – error correction	-	-	-	(1,357,516)	-	(1,357,516)
Net assets – July 1, as Adjusted	128,041,066	101,382,903	97,068,458	90,973,015	225,109,524	192,355,918
Net assets - June 30	\$148,263,366	\$ 87,330,313	\$103,035,162	\$ 97,068,458	\$ 251,298,528	\$ 184,398,771

Governmental activities. Governmental activities increased the City’s net assets by \$20,222,300, an increase of \$34,274,890 from the prior year. Key elements of the change from prior year are as follows:

- \$14 million decrease in community support expenditures due to an inter-local grant in the prior year 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.
- Capital grants and contributions increased \$14.3 million over the prior year due to contributions of infrastructure from developers and the receipt of \$10 million in federal and local grants for airport development.
- Unrestricted investment income increased \$2.2 million from the prior year due to an increase in the fair value of investments as well as increased investment earnings in the current year.

Program revenues for governmental activities provided 40 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 \$25,944,779 and property taxes of \$16,538,908.

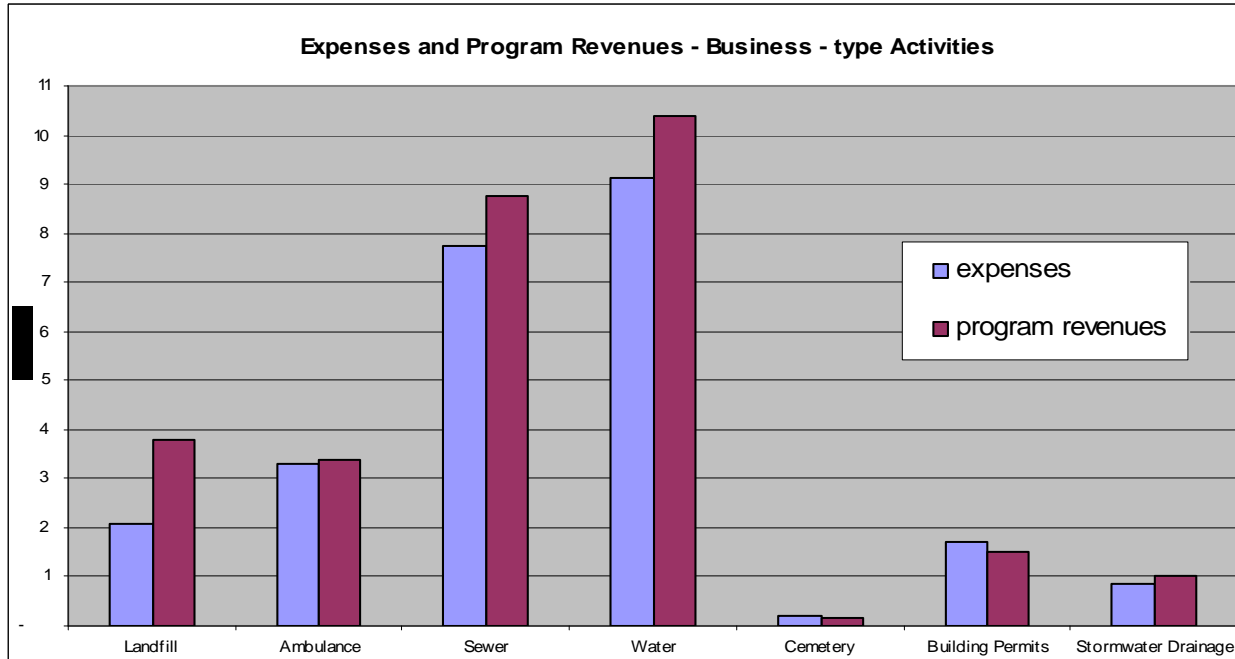




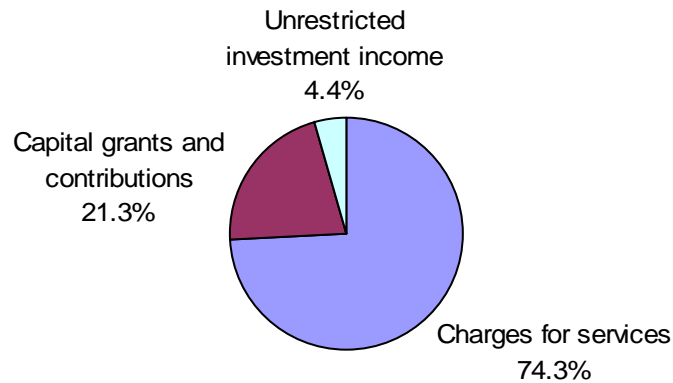
Business-type activities. Business-type activities increased the City’s net assets by \$5,966,704, a decrease of \$128,739 from the prior year. Key elements of this decrease are as follows:

- \$512,000 decrease in transfers in from governmental activities due to the completion of Waterfall Fire projects in the prior year.
- \$984,000 decrease in capital assets transferred from governmental activities.
- \$240,000 increase in capital grants for various projects.
- \$975,000 increase in landfill revenues due to an increase in rates during the current year.
- \$790,000 decrease in capital assets contributed by developers and connection fees in the Sewer and Water funds.
- Unrestricted investment earnings increased by \$840,000 from the prior year due to an increase in the fair value of investments as well as increased investment earnings in the current year.

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



Revenues by Source - Business - type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$57,678,274, a decrease of \$8,094,292 in comparison with the prior year. Of this total amount, \$56,872,319 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 (\$317,767), 2) for judicial programs (\$423,836), or 3) for prepaid items and inventory (\$64,352).

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 \$10,881,718, while total fund balance reached \$11,674,720. 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 21 percent of total General Fund expenditures, while total fund balance represents 22 percent of that same amount.

The fund balance of the City's General Fund increased by \$775,857 during the current fiscal year, an increase of \$1,475,975 from the prior year. Key elements of the change from prior year are as follows:

- Property taxes increased by \$1.3 million over the prior year as a result of an increase in property tax rates and assessed valuation.

- Transfers in decreased by \$2 million from the prior year. This was offset by a decrease in expenditures in the economic opportunity function related to incentives for business retention and recruitment in the automotive sector.
- Transfers out decreased by \$1.2 million from the prior year. Most of this decrease is due to a prior year transfer of \$1.15 million to the Capital Facilities Fund for the sheriff administration building.
- Miscellaneous revenue increased \$600,000 over the prior year due to an increase in the fair value of investments as well as increased investment earnings in the current year.

The Quality of Life Fund has a total fund balance of \$17,788,630, all of which is unreserved. The fund balance increased by \$610,593 during the current fiscal year, a decrease of \$3,595,605 from the prior year. This decrease is due to the sale of land in the prior year for \$3.6 million.

The Airport Fund received \$10 million in federal and local grants in the current year for airport development.

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 \$5,510,995 in the Sewer Fund and \$7,528,633 for the Water Fund. The total growth in net assets for the funds was \$1,396,446 and \$1,716,366, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Budgeted appropriations increased \$5,973,202 between the original budget and the final amended budget. The increase can be briefly summarized as follows:

- \$4.85 million increase in appropriations for economic development to fund incentives for business retention and recruitment in the automotive sector.
- Carryover of program costs from the prior year budget amounting to \$314,451 allocated to various departments.
- \$634,234 increase in various department appropriations offset by increases in charges for services, intergovernmental revenues, investment income and donations.

Of this increase, \$209,000 was funded from charges for services, \$425,000 was funded from intergovernmental revenues, grants and donations, and investment income. The remaining \$5.2 was to be budgeted from available fund balance.

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

- There was \$4.85 million in unspent incentives for business retention and recruitment in the economic opportunity function. This appropriation will be carried over to the next fiscal year.
- Actual intergovernmental revenues were \$1.8 million less than the final budget due to a decline in consolidated tax revenues.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$305,050,172 (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 12 percent (a 16.6 percent increase for governmental activities and a 6.2 percent increase for business-type activities). Net capital assets for FY 2006 have been increased by \$40,710,753 for the retroactive reporting of major general infrastructure assets. For more detail see Note 4-F in the notes to financial statements.

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

- Donated infrastructure (streets, curb and gutter) from developers was valued at \$4.3 million.
- \$8.3 million for the construction of the sheriff administration building.
- \$717,000 for the acquisition of two fire engines.
- \$10 million land purchase for airport development.
- \$705,000 land purchase for open space.
- \$800,000 for storm drain project and asphalt replacement at park facility.
- A variety of street construction projects are on-going, such as widening and expansion projects, at a cost of approximately \$1.4 million.
- \$3 million for storm drainage projects.
- \$4 million for various sewer projects.
- \$2 million for various water projects.

Carson City's Capital Assets (net of depreciation)

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 29,208,402	\$ 18,228,791	\$ 3,076,948	\$ 3,076,948	\$ 32,285,350	\$ 21,305,739
Construction in progress/infrastructure	2,851,150	1,300,249	-	-	2,851,150	1,300,249
Construction in progress	11,144,673	5,984,619	14,296,881	15,642,654	25,441,554	21,627,273
Buildings	47,264,119	48,718,514	9,563,288	9,815,627	56,827,407	58,534,141
Improvements other than buildings	13,279,985	13,054,269	93,317,291	84,968,832	106,597,276	98,023,101
Machinery and equipment	10,715,540	9,219,069	4,501,881	3,473,615	15,217,421	12,692,684
Infrastructure	57,822,754	51,234,941	-	-	57,822,754	51,234,941
Water rights	-	-	8,007,260	8,007,260	8,007,260	8,007,260
Total	\$172,286,623	\$147,740,452	\$132,763,549	\$124,984,936	\$305,050,172	\$272,725,388

Additional information on the City's capital assets can be found in note 3-B on pages 40-43 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$136,834,536. Of this amount, \$131,694,536 comprises debt backed by the full faith and credit of the government. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Carson City's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$74,574,351	\$76,884,293	\$57,120,185	\$50,968,629	\$131,694,536	\$127,852,922
Revenue bonds	5,140,000	5,360,000	-	-	5,140,000	5,360,000
Total	\$79,714,351	\$82,244,293	\$57,120,185	\$50,968,629	\$136,834,536	\$133,212,922

The City's total bonded debt increased by \$3,621,614 (3 percent) during the current fiscal year. The key factor in this increase was the issuance of general obligation revenue bonds in the amount of \$10,047,500 for the Water Fund.

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 annual debt service payments over the next several years.

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 \$219,896,382, 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 45-50 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City's unemployment rate was 5% at June 30, 2007, which is an increase from a rate of 4.8% a year ago. The national and state unemployment rates were both 4.7% at June 30, 2007.
- The City's assessed value grew 19 percent in fiscal 2006-07 to 1.433 billion and 12 percent in fiscal 2007-08 to 1.612 billion.
- Continued reductions in sales tax revenue are anticipated for FY 2007-08.

All of these factors were considered in preparing the City's budget for the 2008 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased \$850,336 to \$10,881,718. The City has appropriated \$5,385,581 of this amount for spending in the 2008 fiscal year budget.

When compiling the budget for FY 07-08, it was determined that there was an urgent need for two deputy sheriff positions and one deputy district attorney. In order to fund these positions and to help offset the loss in sales tax revenues experienced in FY 06-07 an increase in franchise fees was approved. This increase was made effective August 1, 2007. No further increases in franchise fees can be approved until FY 09-10.

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.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

CARSON CITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 58,478,057	\$ 24,526,062	\$ 83,004,119
Receivables (net of allowances for uncollectibles)	2,416,710	3,005,007	5,421,717
Due from other governments	13,203,437	2,362,643	15,566,080
Due from component units	262,636	-	262,636
Due from primary government	-	-	-
Internal balances	196,530	(196,530)	-
Inventories	91,512	303,839	395,351
Prepays	597,112	17,570	614,682
Restricted assets:			
Cash and investments	1,003,905	2,915,266	3,919,171
Other assets	1,048,435	459,119	1,507,554
Capital assets (net of accumulated depreciation):			
Land	29,208,402	3,076,948	32,285,350
Construction in progress - infrastructure	2,851,150	-	2,851,150
Construction in progress	11,144,673	14,296,881	25,441,554
Buildings	47,264,119	9,563,288	56,827,407
Improvements other than buildings	13,279,985	93,317,291	106,597,276
Machinery and equipment	10,715,540	4,501,881	15,217,421
Infrastructure	57,822,754	-	57,822,754
Water rights	-	8,007,260	8,007,260
Total Assets	<u>249,584,957</u>	<u>166,156,525</u>	<u>415,741,482</u>
LIABILITIES			
Accounts payable and accrued expenses	5,899,908	1,708,927	7,608,835
Accrued interest payable	895,943	341,992	1,237,935
Due to other governments	345,302	165,272	510,574
Due to component units	153,336	-	153,336
Due to primary government	-	-	-
Unearned revenue	174,999	273,360	448,359
Other liabilities	5,485,827	15,305	5,501,132
Current liabilities payable from restricted assets	944,383	173,170	1,117,553
Noncurrent liabilities:			
Due within one year	3,409,080	3,371,174	6,780,254
Due in more than one year	84,012,813	57,072,163	141,084,976
Total Liabilities	<u>101,321,591</u>	<u>63,121,363</u>	<u>164,442,954</u>
NET ASSETS			
Invested in capital assets, net of related debt	120,602,072	84,123,860	204,725,932
Restricted for:			
General government	123,056	-	123,056
Public safety	343,782	-	343,782
Judicial	262,140	-	262,140
Public works	10,798,560	-	10,798,560
Health	155,294	-	155,294
Culture and recreation	14,016,522	-	14,016,522
Capital projects	782,794	-	782,794
Debt service	200,000	-	200,000
Claims	2,707,754	-	2,707,754
Emergency replacement	-	2,742,096	2,742,096
Unrestricted	(1,728,608)	16,169,206	14,440,598
Total Net Assets	<u>\$ 148,263,366</u>	<u>\$ 103,035,162</u>	<u>\$ 251,298,528</u>

COMPONENT UNITS	
AIRPORT AUTHORITY	CONVENTION AND VISITORS' BUREAU
\$ 737,310	\$ 1,430,167
8,538	190,983
400	42,436
-	-
153,336	-
-	-
-	15,212
8,767	330
-	94,919
232,613	-
146,542	-
-	-
-	-
-	87,618
-	1,453
64,087	14,619
-	-
-	-
<u>1,351,593</u>	<u>1,877,737</u>
8,115	73,945
-	-
-	11,799
-	-
249,686	12,950
2,468	-
-	-
-	94,919
15,364	-
<u>666,877</u>	<u>67,601</u>
<u>942,510</u>	<u>261,214</u>
210,629	103,690
-	1,390
-	-
-	-
-	-
-	401,234
-	-
-	309,366
-	-
-	-
<u>198,454</u>	<u>800,843</u>
<u>\$ 409,083</u>	<u>\$ 1,616,523</u>

See accompanying notes

CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental Activities:				
General government	\$ 13,329,480	\$ 2,927,954	\$ 1,024,890	\$ -
Judicial	3,656,007	1,532,800	26,603	-
Public safety	26,333,209	869,747	1,073,731	24,000
Public works	7,205,824	351,854	1,728,077	4,280,671
Community support	552,307	-	179,915	-
Airport	348,318	-	301,583	10,027,533
Economic opportunity	485,422	-	234,127	-
Welfare	2,074,309	-	154,380	-
Health	2,736,463	196,846	1,155,330	-
Culture and recreation	8,897,085	1,315,279	251,081	160,458
Debt Service:				
Interest and fiscal charges	3,844,651	-	-	-
Total Governmental Activities	<u>69,463,075</u>	<u>7,194,480</u>	<u>6,129,717</u>	<u>14,492,662</u>
Business-Type Activities:				
Landfill	2,057,836	3,795,200	-	-
Ambulance	3,314,417	3,373,632	-	-
Sewer	7,751,960	5,084,414	-	3,670,871
Water	9,143,663	7,593,208	-	2,791,376
Cemetery	201,439	150,912	-	-
Building Permits	1,724,380	1,487,738	-	-
Stormwater Drainage	860,866	1,007,484	-	-
Total Business-Type Activities	<u>25,054,561</u>	<u>22,492,588</u>	<u>-</u>	<u>6,462,247</u>
Total Primary Government	<u>\$ 94,517,636</u>	<u>\$ 29,687,068</u>	<u>\$ 6,129,717</u>	<u>\$ 20,954,909</u>
Component units:				
Airport Authority	\$ 895,717	\$ 229,826	\$ 155,653	\$ -
Convention and Visitors' Bureau	1,430,062	27,358	42,436	-
Total Component Units	<u>\$ 2,325,779</u>	<u>\$ 257,184</u>	<u>\$ 198,089</u>	<u>\$ -</u>

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

NET ASSETS, JULY 1, as Previously Reported
Cumulative effect of a change in accounting principle

NET ASSETS, JULY 1, as Adjusted

NET ASSETS, JUNE 30

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AIRPORT AUTHORITY	CONVENTION AND VISITORS' BUREAU
\$ (9,376,636)	\$ -	\$ (9,376,636)	\$ -	\$ -
(2,096,604)	-	(2,096,604)	-	-
(24,365,731)	-	(24,365,731)	-	-
(845,222)	-	(845,222)	-	-
(372,392)	-	(372,392)	-	-
9,980,798	-	9,980,798	-	-
(251,295)	-	(251,295)	-	-
(1,919,929)	-	(1,919,929)	-	-
(1,384,287)	-	(1,384,287)	-	-
(7,170,267)	-	(7,170,267)	-	-
(3,844,651)	-	(3,844,651)	-	-
(41,646,216)	-	(41,646,216)	-	-
-	1,737,364	1,737,364	-	-
-	59,215	59,215	-	-
-	1,003,325	1,003,325	-	-
-	1,240,921	1,240,921	-	-
-	(50,527)	(50,527)	-	-
-	(236,642)	(236,642)	-	-
-	146,618	146,618	-	-
-	3,900,274	3,900,274	-	-
(41,646,216)	3,900,274	(37,745,942)	-	-
-	-	-	(510,238)	-
-	-	-	-	(1,360,268)
-	-	-	(510,238)	(1,360,268)
16,538,908	-	16,538,908	106,927	-
6,097,893	-	6,097,893	-	-
25,944,779	-	25,944,779	-	-
4,619,984	-	4,619,984	-	-
361,818	-	361,818	-	-
-	-	-	-	1,419,192
5,274,176	-	5,274,176	-	-
687	-	687	-	-
3,530,584	1,319,813	4,850,397	25,772	71,928
246,304	-	246,304	-	-
(746,617)	746,617	-	-	-
61,868,516	2,066,430	63,934,946	132,699	1,491,120
20,222,300	5,966,704	26,189,004	(377,539)	130,852
87,330,313	97,068,458	184,398,771	786,622	1,485,671
40,710,753	-	40,710,753	-	-
128,041,066	97,068,458	225,109,524	786,622	1,485,671
\$ 148,263,366	\$ 103,035,162	\$ 251,298,528	\$ 409,083	\$ 1,616,523

See accompanying notes.

CARSON CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	GENERAL	QUALITY OF LIFE	AIRPORT
ASSETS			
Cash and investments	\$ 7,550,523	\$ 17,368,338	\$ 2,377
Receivables (net of allowances for uncollectibles):			
Taxes, delinquent	145,428	-	-
Accounts receivable	1,118,261	26,122	-
Interest	695,975	-	-
Due from other funds	-	-	-
Due from other governments	5,158,877	460,770	4,791,235
Due from component units	12,950	-	249,686
Inventories	2,753	-	-
Prepaid items	48,646	-	-
Restricted assets:			
Cash and investments	980,165	-	-
Total Assets	<u>\$ 15,713,578</u>	<u>\$ 17,855,230</u>	<u>\$ 5,043,298</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 588,194	\$ 55,445	\$ -
Accrued salaries and benefits	1,957,537	5,927	-
Payable from restricted assets	920,643	-	-
Due to other funds	-	-	-
Due to other governments	182,621	5,228	-
Due to component units	106,128	-	47,208
Other liabilities	185,463	-	4,705,000
Deferred revenue	86,266	-	288,713
Unearned revenue	12,006	-	2,377
Total Liabilities	<u>4,038,858</u>	<u>66,600</u>	<u>5,043,298</u>
Fund balances:			
Reserved for inventory	2,753	-	-
Reserved for gifts and donations	317,767	-	-
Reserved for administrative assessments	119,614	-	-
Reserved for courts	229,527	-	-
Reserved for technology	74,695	-	-
Reserved for prepaid items	48,646	-	-
Unreserved, reported in:			
General fund:			
Designated for subsequent year's expenditures	5,385,581	-	-
Undesignated	5,496,137	-	-
Special revenue funds:			
Designated for subsequent year's expenditures	-	328,472	-
Undesignated	-	17,460,158	-
Debt service funds:			
Designated for subsequent year's expenditures	-	-	-
Undesignated	-	-	-
Capital projects funds:			
Designated for subsequent year's expenditures	-	-	-
Undesignated	-	-	-
Total Fund Balances	<u>11,674,720</u>	<u>17,788,630</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 15,713,578</u>	<u>\$ 17,855,230</u>	<u>\$ 5,043,298</u>

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 28,295,344	\$ 53,216,582
33,753	179,181
34,855	1,179,238
-	695,975
91,284	91,284
2,776,367	13,187,249
-	262,636
-	2,753
12,953	61,599
23,740	1,003,905
<u>\$ 31,268,296</u>	<u>\$ 69,880,402</u>
\$ 2,534,198	\$ 3,177,837
67,304	2,030,768
23,740	944,383
91,284	91,284
157,453	345,302
-	153,336
-	4,890,463
19,324	394,303
160,069	174,452
<u>3,053,372</u>	<u>12,202,128</u>
-	2,753
-	317,767
-	119,614
-	229,527
-	74,695
12,953	61,599
-	5,385,581
-	5,496,137
4,866,690	5,195,162
14,808,432	32,268,590
1,143,535	1,143,535
37,444	37,444
100,358	100,358
7,245,512	7,245,512
<u>28,214,924</u>	<u>57,678,274</u>
<u>\$ 31,268,296</u>	<u>\$ 69,880,402</u>

See accompanying notes.

This page intentionally left blank

CARSON CITY, NEVADA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2007

Fund Balances - Governmental Funds (pages 8-9)		\$ 57,678,274
<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	\$ 220,245,972	
Less: Accumulated depreciation	<u>(47,981,024)</u>	172,264,948
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
General obligation revenue bonds payable	(74,574,351)	
Notes payable	(4,399,013)	
Revenue bonds payable	(5,140,000)	
Loss on bond refunding	987,807	
Less: current year amortization	(102,448)	
Issuance discount	188,372	
Less: current year amortization	(10,043)	
Issuance premium	(570,455)	
Less: current year amortization	29,421	
Deferred charge for issuance costs	1,107,035	
Less: current year amortization	(58,600)	
Capital leases payable	(120,447)	
Compensated absences	<u>(3,518,569)</u>	(86,181,291)
Interest payable		(895,943)
<p>Deferred revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.</p>		
		394,303
<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>		
		4,806,545
<p>Internal balances are receivable from business-type activities.</p>		
		<u>196,530</u>
Net Assets - Governmental Activities (pages 4-5)		<u><u>\$ 148,263,366</u></u>

See accompanying notes.

CARSON CITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	GENERAL	QUALITY OF LIFE	AIRPORT
Revenues:			
Taxes	\$ 12,492,864	\$ 2,444,405	\$ -
Licenses and permits	6,183,388	-	-
Intergovernmental revenues	26,612,979	152,682	10,034,403
Charges for services	7,868,594	-	-
Fines and forfeits	825,900	-	-
Miscellaneous	1,564,918	993,102	-
Total Revenues	<u>55,548,643</u>	<u>3,590,189</u>	<u>10,034,403</u>
Expenditures:			
Current:			
General government	13,120,595	-	-
Public safety	23,786,322	-	-
Judicial	3,547,132	-	-
Public works	3,032,079	-	-
Health	1,492,098	-	-
Welfare	336,854	-	-
Culture and recreation	6,244,911	1,820,707	-
Community support	566,796	-	-
Airport	-	-	10,034,403
Economic opportunity	236,465	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	<u>52,363,252</u>	<u>1,820,707</u>	<u>10,034,403</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,185,391</u>	<u>1,769,482</u>	<u>-</u>
Other Financing Sources (Uses):			
Capital leases	55,770	-	-
Transfers in	461,219	-	-
Transfers out	(2,926,523)	(1,158,889)	-
Total Other Financing Sources (Uses)	<u>(2,409,534)</u>	<u>(1,158,889)</u>	<u>-</u>
Net Change in Fund Balances	775,857	610,593	-
Fund Balances, July 1	<u>10,898,863</u>	<u>17,178,037</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 11,674,720</u>	<u>\$ 17,788,630</u>	<u>\$ -</u>

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 11,712,181	\$ 26,649,450
-	6,183,388
6,487,094	43,287,158
548,625	8,417,219
75,504	901,404
1,853,375	4,411,395
<u>20,676,779</u>	<u>89,850,014</u>
1,917,401	15,037,996
2,169,699	25,956,021
105,113	3,652,245
8,933,651	11,965,730
1,178,796	2,670,894
1,737,047	2,073,901
1,398,740	9,464,358
63,806	630,602
-	10,034,403
328,627	565,092
9,039,514	9,039,514
3,056,246	3,056,246
3,764,874	3,764,874
<u>33,693,514</u>	<u>97,911,876</u>
<u>(13,016,735)</u>	<u>(8,061,862)</u>
-	55,770
7,275,429	7,736,648
<u>(3,739,436)</u>	<u>(7,824,848)</u>
<u>3,535,993</u>	<u>(32,430)</u>
(9,480,742)	(8,094,292)
<u>37,695,666</u>	<u>65,772,566</u>
<u>\$ 28,214,924</u>	<u>\$ 57,678,274</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, 2007**

Net Change in Fund Balances - Governmental Funds (page 11-12) \$ (8,094,292)

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

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

Expenditures for capital assets	\$ 24,559,681	
Contributions of capital assets from business-type activities	14,500	
Donated capital assets	4,300,622	
Transfers of capital assets to business-type activities	(28,380)	
Sale/disposition of assets	(828,755)	
Less: Current year depreciation	(3,467,727)	24,549,941

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

Change in deferred revenue		281,822
----------------------------	--	---------

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

Capital lease financing	(55,770)	
Accrued interest	(895,943)	
Capital lease payments	22,100	
Interest payments	622,491	
Principal payments	3,056,246	2,749,124

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of loss on bond refunding	(102,448)	
Amortization of issuance costs	(58,600)	
Amortization of bond discounts	(10,043)	
Amortization of bond premiums	29,421	
Change in long-term compensated absences	(10,648)	(152,318)

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

		888,023
--	--	---------

Change in Net Assets of Governmental Activities (pages 6-7) \$ 20,222,300

**CARSON CITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 11,796,000	\$ 11,833,200	\$ 12,492,864	\$ 659,664
Licenses and permits	6,240,500	6,240,500	6,183,388	(57,112)
Intergovernmental revenues	28,347,000	28,423,415	26,612,979	(1,810,436)
Charges for services	7,921,612	8,130,880	7,868,594	(262,286)
Fines and forfeits	878,000	878,000	825,900	(52,100)
Miscellaneous	945,000	1,293,551	1,564,918	271,367
Total Revenues	<u>56,128,112</u>	<u>56,799,546</u>	<u>55,548,643</u>	<u>(1,250,903)</u>
Expenditures:				
Current:				
General government	13,706,291	13,593,741	13,120,595	473,146
Public safety	23,866,462	24,079,190	23,786,322	292,868
Judicial	3,432,054	3,719,800	3,547,132	172,668
Public works	3,059,531	3,056,587	3,032,079	24,508
Health	1,347,447	1,539,529	1,492,098	47,431
Welfare	362,994	336,855	336,854	1
Culture and recreation	6,583,012	6,687,278	6,244,911	442,367
Community support	404,850	626,645	566,796	59,849
Economic opportunity	240,911	5,127,770	236,465	4,891,305
Total Expenditures	<u>53,003,552</u>	<u>58,767,395</u>	<u>52,363,252</u>	<u>6,404,143</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,124,560</u>	<u>(1,967,849)</u>	<u>3,185,391</u>	<u>5,153,240</u>
Other Financing Sources (Uses):				
Capital leases	-	56,068	55,770	(298)
Transfers in	210,000	291,677	461,219	169,542
Transfers out	(3,498,997)	(3,544,997)	(2,926,523)	618,474
Contingency	(500,000)	(663,359)	-	663,359
Total Other Financing Sources (Uses)	<u>(3,788,997)</u>	<u>(3,860,611)</u>	<u>(2,409,534)</u>	<u>1,451,077</u>
Net Change in Fund Balances	<u>(664,437)</u>	<u>(5,828,460)</u>	<u>775,857</u>	<u>6,604,317</u>
Fund Balances, July 1	<u>5,079,437</u>	<u>10,898,863</u>	<u>10,898,863</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,415,000</u>	<u>\$ 5,070,403</u>	<u>\$ 11,674,720</u>	<u>\$ 6,604,317</u>

See accompanying notes.

**CARSON CITY
QUALITY OF LIFE FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 2,675,000	\$ 2,675,000	\$ 2,444,405	\$ (230,595)
Intergovernmental revenues	-	431,627	152,682	(278,945)
Charges for services	3,200	3,200	-	(3,200)
Miscellaneous	100,000	222,699	993,102	770,403
Total Revenues	<u>2,778,200</u>	<u>3,332,526</u>	<u>3,590,189</u>	<u>257,663</u>
Expenditures:				
Current:				
Culture and recreation	3,674,975	18,848,251	1,820,707	17,027,544
Excess (Deficiency) of Revenues over Expenditures	<u>(896,775)</u>	<u>(15,515,725)</u>	<u>1,769,482</u>	<u>17,285,207</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,214,347)</u>	<u>(1,214,347)</u>	<u>(1,158,889)</u>	<u>55,458</u>
Net Change in Fund Balances	(2,111,122)	(16,730,072)	610,593	17,340,665
Fund Balances, July 1	<u>2,559,087</u>	<u>17,178,037</u>	<u>17,178,037</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 447,965</u>	<u>\$ 447,965</u>	<u>\$ 17,788,630</u>	<u>\$ 17,340,665</u>

See accompanying notes.

**CARSON CITY
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Revenues:				
Intergovernmental revenues	\$ -	\$ 10,034,403	\$ 10,034,403	\$ -
Expenditures:				
Current:				
Airport	-	10,034,403	10,034,403	-
Excess (Deficiency) of Revenues over Expenditures	-	-	-	-
Fund Balances, July 1	-	-	-	-
Fund Balances, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

CARSON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
(PAGE 1 OF 2)

BUSINESS-TYPE ACTIVITIES -

	<u>SEWER</u>	<u>WATER</u>
ASSETS		
Current assets (unrestricted):		
Cash and investments	\$ 3,903,201	\$ 14,157,759
Receivables:		
Accounts and contracts, net	361,239	774,895
Due from other governments	1,542,063	820,580
Inventories	-	282,367
Prepaid items	61	1,315
Total Current Assets (Unrestricted)	<u>5,806,564</u>	<u>16,036,916</u>
Current assets (restricted):		
Cash and investments	<u>111,560</u>	<u>61,610</u>
Total Current Assets	<u>5,918,124</u>	<u>16,098,526</u>
Noncurrent assets:		
Restricted cash and investments	<u>2,742,096</u>	<u>-</u>
Other assets	<u>66,145</u>	<u>276,491</u>
Capital assets:		
Land	757,704	446,506
Buildings	10,298,161	1,589,345
Improvements other than buildings	84,362,505	63,145,974
Machinery and equipment	3,619,788	1,917,252
Water rights	-	8,007,260
Construction in progress	<u>7,433,056</u>	<u>4,099,199</u>
Less: Accumulated depreciation	<u>106,471,214</u> <u>(39,687,382)</u>	<u>79,205,536</u> <u>(23,372,028)</u>
Net Capital Assets	<u>66,783,832</u>	<u>55,833,508</u>
Total Noncurrent Assets	<u>69,592,073</u>	<u>56,109,999</u>
Total Assets	<u>75,510,197</u>	<u>72,208,525</u>

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 6,465,102	\$ 24,526,062	\$ 5,261,475
1,868,873	3,005,007	362,316
-	2,362,643	16,188
21,472	303,839	88,759
16,194	17,570	535,513
<u>8,371,641</u>	<u>30,215,121</u>	<u>6,264,251</u>
-	173,170	-
<u>8,371,641</u>	<u>30,388,291</u>	<u>6,264,251</u>
-	2,742,096	-
<u>116,483</u>	<u>459,119</u>	<u>-</u>
1,872,738	3,076,948	-
443,842	12,331,348	-
2,242,733	149,751,212	-
4,149,041	9,686,081	37,708
-	8,007,260	-
2,764,626	14,296,881	-
<u>11,472,980</u>	<u>197,149,730</u>	<u>37,708</u>
<u>(1,326,771)</u>	<u>(64,386,181)</u>	<u>(16,033)</u>
<u>10,146,209</u>	<u>132,763,549</u>	<u>21,675</u>
<u>10,262,692</u>	<u>135,964,764</u>	<u>21,675</u>
<u>18,634,333</u>	<u>166,353,055</u>	<u>6,285,926</u>

**CARSON CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007
(PAGE 2 OF 2)**

BUSINESS-TYPE ACTIVITIES -

	<u>SEWER</u>	<u>WATER</u>
LIABILITIES		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 220,690	\$ 524,126
Accrued salaries and benefits	34,216	46,899
Accrued interest	183,850	140,080
Due to other governments	841	153,465
Unearned revenue	-	-
Other current liabilities	-	-
Current portion:		
Commitments payable	-	15,305
General obligation bonds and notes payable	1,287,471	1,665,000
Total Current Liabilities Payable from Unrestricted Assets	1,727,068	2,544,875
Current liabilities payable from restricted assets:		
Construction contracts, retained percent	102,372	46,847
Connection deposits	9,188	14,763
Total Current Liabilities Payable from Restricted Assets	111,560	61,610
Total Current Liabilities	1,838,628	2,606,485
Noncurrent liabilities:		
Accrued compensated absences	158,502	136,045
Other liabilities	-	2,522
Closure / post closure care costs	-	-
General obligation bonds and notes payable	15,423,409	33,215,475
Total Noncurrent Liabilities	15,581,911	33,354,042
Total Liabilities	17,420,539	35,960,527
NET ASSETS		
Invested in capital assets, net of related debt	49,836,567	28,719,365
Restricted for emergency replacement	2,742,096	-
Unrestricted	5,510,995	7,528,633
Total Net Assets	\$ 58,089,658	\$ 36,247,998

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

Net assets of business - type activities

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 800,382	\$ 1,545,198	\$ 673,367
82,614	163,729	17,936
18,062	341,992	-
10,966	165,272	-
273,360	273,360	547
-	-	595,364
-	15,305	-
370,000	3,322,471	-
<u>1,555,384</u>	<u>5,827,327</u>	<u>1,287,214</u>
-	149,219	-
-	23,951	-
-	173,170	-
<u>1,555,384</u>	<u>6,000,497</u>	<u>1,287,214</u>
278,211	572,758	129,467
-	2,522	62,700
2,518,316	2,518,316	-
5,388,386	54,027,270	-
<u>8,184,913</u>	<u>57,120,866</u>	<u>192,167</u>
<u>9,740,297</u>	<u>63,121,363</u>	<u>1,479,381</u>
5,567,928	84,123,860	21,675
-	2,742,096	-
3,326,108	16,365,736	4,784,870
<u>\$ 8,894,036</u>	<u>103,231,692</u>	<u>\$ 4,806,545</u>
	<u>(196,530)</u>	
	<u>\$ 103,035,162</u>	

See accompanying notes.

**CARSON CITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	BUSINESS-TYPE ACTIVITIES -	
	SEWER	WATER
Operating Revenues:		
Charges for services	\$ 5,065,655	\$ 7,579,552
Operating Expenses:		
Salaries and wages	1,134,658	1,290,879
Employee benefits	395,648	475,318
Services and supplies	2,927,216	4,291,395
Depreciation	2,499,322	1,871,094
Total Operating Expenses	6,956,844	7,928,686
Operating Income (Loss)	(1,891,189)	(349,134)
Nonoperating Revenues (Expenses):		
Investment income	434,373	506,216
Intergovernmental revenues	1,541,965	788,036
Miscellaneous	18,759	13,656
Interest expense	(692,270)	(1,105,130)
Gain (loss) on sales of capital assets	(139,220)	(118,967)
Arbitrage rebate	-	(2,522)
Bond issuance costs	(4,878)	(19,129)
Total Nonoperating Revenues (Expenses)	1,158,729	62,160
Income (Loss) Before Contributions and Transfers	(732,460)	(286,974)
Capital Contributions:		
Capital assets	-	11,750
Developers	583,092	851,107
Connection fees	1,545,814	1,140,483
Total Capital Contributions	2,128,906	2,003,340
Transfers In	-	-
Transfers Out	-	-
Total Transfers	-	-
Change in Net Assets	1,396,446	1,716,366
Net Assets, July 1	56,693,212	34,531,632
Net Assets, June 30	\$ 58,089,658	\$ 36,247,998
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		
Change in net assets of business - type activities		

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 9,745,016	\$ 22,390,223	\$ 11,759,540
2,566,666	4,992,203	611,505
1,198,172	2,069,138	197,257
3,860,706	11,079,317	10,373,948
365,230	4,735,646	3,771
7,990,774	22,876,304	11,186,481
1,754,242	(486,081)	573,059
379,224	1,319,813	258,874
-	2,330,001	-
69,950	102,365	52,528
(226,346)	(2,023,746)	-
490	(257,697)	154,107
-	(2,522)	-
(6,950)	(30,957)	-
216,368	1,437,257	465,509
1,970,610	951,176	1,038,568
644,537	656,287	-
-	1,434,199	-
-	2,686,297	-
644,537	4,776,783	-
188,200	188,200	-
(100,000)	(100,000)	-
88,200	88,200	-
2,703,347	5,816,159	1,038,568
6,190,689		3,767,977
\$ 8,894,036		\$ 4,806,545
	150,545	
	\$ 5,966,704	

See accompanying notes.

**CARSON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(PAGE 1 OF 2)**

	BUSINESS-TYPE ACTIVITIES -	
	SEWER	WATER
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for services	\$ 5,863,692	\$ 7,432,643
Cash payments for personnel costs	(1,536,517)	(1,789,883)
Cash payments for services and supplies	(2,973,084)	(4,146,005)
Miscellaneous cash received	18,759	13,656
	1,372,850	1,510,411
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	-	-
Transfer to other funds	-	-
	-	-
Net Cash Provided (Used) by Operating Activities	1,372,850	1,510,411
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	12,394,100
Proceeds from sales of capital assets	-	-
Connection fees	1,545,817	1,140,489
Acquisition of capital assets	(4,378,167)	(2,796,035)
Principal paid on capital debt	(1,232,544)	(4,723,850)
Interest paid on capital debt	(713,902)	(1,155,847)
Bond issuance costs	(437)	(56,323)
Subsidy from grant	1,541,965	590,169
	(3,237,268)	5,392,703
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,237,268)	5,392,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	434,373	506,216
	434,373	506,216
Net Increase (Decrease) in Cash and Cash Equivalents	(1,430,045)	7,409,330
Cash and Cash Equivalents, July 1	8,186,902	6,810,039
Cash and Cash Equivalents, June 30	\$ 6,756,857	\$ 14,219,369
Represented by:		
Current Assets:		
Cash and investments (unrestricted)	\$ 3,903,201	\$ 14,157,759
Cash and investments (restricted)	111,560	61,610
Noncurrent assets:		
Cash and investments (restricted)	2,742,096	-
	\$ 6,756,857	\$ 14,219,369

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 9,514,076	\$ 22,810,411	\$ 11,168,710
(3,779,714)	(7,106,114)	(803,022)
(3,713,694)	(10,832,783)	(10,694,512)
69,951	102,366	52,528
2,090,619	4,973,880	(276,296)
188,200	188,200	-
(100,000)	(100,000)	-
88,200	88,200	-
-	12,394,100	-
-	-	154,107
-	2,686,306	-
(3,820,018)	(10,994,220)	-
(350,000)	(6,306,394)	-
(228,636)	(2,098,385)	-
(479)	(57,239)	-
-	2,132,134	-
(4,399,133)	(2,243,698)	154,107
379,223	1,319,812	258,874
(1,841,091)	4,138,194	136,685
8,306,193	23,303,134	5,124,790
<u>\$ 6,465,102</u>	<u>\$ 27,441,328</u>	<u>\$ 5,261,475</u>
\$ 6,465,102	\$ 24,526,062	\$ 5,261,475
-	173,170	-
-	2,742,096	-
<u>\$ 6,465,102</u>	<u>\$ 27,441,328</u>	<u>\$ 5,261,475</u>

**CARSON CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(PAGE 2 OF 2)**

BUSINESS-TYPE ACTIVITIES -

	<u>SEWER</u>	<u>WATER</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (1,891,189)	\$ (349,134)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization expense	2,499,322	1,871,094
Provision for uncollectible accounts	-	-
Nonoperating revenues	18,759	13,656
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(51,713)	(163,100)
Due from other governments	850,575	16,191
Inventories	-	32,342
Prepaid items	11,515	60
Increase (decrease) in:		
Accounts payable	(33,843)	50,677
Accrued salaries and benefits	(4,300)	(741)
Due to other governments	-	62,286
Due to other funds	(23,540)	-
Unearned revenue	-	-
Connection deposits	(825)	25
Accrued compensated absences	(1,911)	(22,945)
Other liabilities	-	-
Closure/post closure care costs	-	-
Total Adjustments	<u>3,264,039</u>	<u>1,859,545</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,372,850</u>	<u>\$ 1,510,411</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Purchase of capital assets on account	\$ 134,013	\$ 101,995
Retainage payable on construction of capital assets	102,372	46,847
Contributed capital assets	-	11,750

ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
\$ 1,754,242	\$ (486,081)	\$ 573,059
365,230	4,735,646	3,771
658,328	658,328	-
69,951	102,366	52,528
(907,278)	(1,122,091)	(139,644)
-	866,766	40,755
(14,756)	17,586	(32,250)
(15,341)	(3,766)	(518,042)
171,873	188,707	(224,707)
(2,695)	(7,736)	(1,187)
(1,537)	60,749	26,101
(150,000)	(173,540)	-
18,010	18,010	-
-	(800)	-
(12,181)	(37,037)	6,927
-	-	(63,607)
156,773	156,773	-
336,377	5,459,961	(849,355)
\$ 2,090,619	\$ 4,973,880	\$ (276,296)
\$ 108,190	\$ 344,198	\$ -
-	149,219	-
644,537	656,287	-

See accompanying notes.

CARSON CITY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	INVESTMENT TRUST FUND	AGENCY FUNDS
ASSETS		
Cash and investments	\$ 3,639,179	\$ 13,456,634
Accounts receivable	-	60
Taxes receivable, delinquent	-	164,691
Due from other governments	-	277,655
Prepaid items	-	250
	3,639,179	13,899,290
LIABILITIES		
Accounts payable	-	581,257
Due to other governments	-	13,310,353
Other liabilities	-	7,680
	-	13,899,290
NET ASSETS		
Held in trust for pool participants	\$ 3,639,179	\$ -

See accompanying notes.

CARSON CITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	INVESTMENT TRUST FUND
ADDITIONS	
Investment income	\$ 274,137
Capital share transactions:	
Shares sold	5,845,871
Total Additions	6,120,008
DEDUCTIONS	
Capital share transactions:	
Shares redeemed	5,321,606
Change in Net Assets	798,402
Net Assets, July 1	2,840,777
Net Assets, June 30	\$ 3,639,179

See accompanying notes.

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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, 2007

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, 2007

The *Airport Fund* is used to account for Federal Aviation Administration grants awarded to the City.

The government reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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, 2007 was \$2,574,702.

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 cost using the average cost method, while Enterprise Fund inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

5. Restricted Assets

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

Amounts 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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

6. Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

7. Long-Term Obligations

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

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

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays 33-1/3 percent of a portion of the employee's unused sick leave at time of employee termination if provided for in the applicable Employee Association contract. Vacation pay and sick leave payoff are accrued when incurred in the government-wide and

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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 2007-2008 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.

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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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 Welfare Function of the Supplemental Indigent Special Revenue Fund by \$88,168. This is an apparent violation of NRS 354.626.
- Actual expenditures exceeded appropriations in the Redevelopment Debt Service Fund by \$1,649. These overexpenditures were funded by available fund balance and are not apparent violations of NRS.

C. SHORTFALL IN RESERVED AND UNRESERVED/DESIGNATED FUND BALANCES

The Redevelopment Administration and V & T Special Infrastructure Special Revenue Funds' fund balances were insufficient to cover the budgeted July 1, 2007 opening fund balance by \$2,892 and \$65,618, respectively. The Redevelopment Debt Service Fund's fund balance was insufficient to cover the budgeted July 1, 2007 opening fund balance by \$13,769.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At year end, the City's carrying amount of deposits was \$4,266,210 and the bank balance was \$7,849,528. All of the bank balance was covered by FDIC, SIPC, or collateralized by the Office of the State Treasurer / Nevada Collateral Pool.

The carrying amount of deposits for discretely presented component units was \$914,882 and the bank balance was \$961,990. All of the bank balance was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name, with the exception of \$614,667 which was uninsured and uncollateralized.

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

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasuries	\$33,315,329	\$24,571,150	\$ 8,744,179	\$ -	\$ -
U.S. Agencies	26,975,632	3,317,538	21,104,994	1,979,239	573,861
Corporate Bonds	8,467,852	166,511	5,612,498	299,471	2,389,372
Money Market Mutual Fund	17,315,887	17,315,887	-	-	-
State of Nevada: Local Government Investment Pool	13,674,618	13,674,618	-	-	-
Total	\$99,749,318	\$59,045,704	\$35,461,671	\$2,278,710	\$2,963,233

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

The following procedures will be applied:

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

Credit Risk. Funds invested with the State of Nevada Treasurer in the Local Government Investment Pool or NVEST portfolios may be invested as permitted by Nevada Revised Statutes. City policy does not further restrict these investments. As of June 30, 2007, the City's investments in U.S Agencies were rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The City's investment in the State of Nevada Local Government Investment Pool is an unrated external investment pool with an average duration of 72 days. Of the City's investments in corporate bonds, \$4,809,525 was rated AAA, \$1,303,930 was rated AA, \$1,196,981 was rated A and \$1,157,416 was unrated.

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

At June 30, 2007 the following investments exceeded 5% of the City's total:

Federal Home Loan Bank	\$13,563,236	13.60%
Federal National Mortgage Association	5,877,225	5.89%
Federal Home Loan Mortgage Corporation	5,697,567	5.71%

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Year</u>
State of Nevada Local Government Investment Pool	<u>\$1,343,157</u>	<u>\$1,343,157</u>

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

Cash on hand	\$ 6,515
Carrying amount of deposits	4,266,210
Carrying amount of investments	<u>99,749,318</u>
	104,022,043
Less: Carrying amount of deposits held for component unit	<u>(2,940)</u>
	<u>\$104,019,103</u>
Cash and investments – governmental activities	\$ 58,478,057
Cash and investments – business-type activities	24,526,062
Cash and investments – investment trust fund	3,639,179
Cash and investments – agency funds	13,456,634
Cash and investments – restricted	<u>3,919,171</u>
	<u>\$104,019,103</u>

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

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

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Summary of investments held in the external investment pool at June 30, 2007:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal Amount/ Number of Shares</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
U.S. Treasuries	\$33,315,329	\$33,945,000	2.625-4.875%	02/15/2008-04/30/2012
U.S. Agencies	26,975,632	27,272,867	3.15-6.956%	7/01/2007-09/20/2025
Corporate Bonds	8,467,852	8,522,714	3.00-9.75%	06/01/2008-03/12/2044
Money Market Mutual Fund	17,315,887	17,315,887	5.18%	07/01/2007
State of Nevada Local Government Investment Pool	<u>13,674,618</u>	13,674,618 Shares	Variable	7/1/2007
Total Pooled Investments	<u>\$99,749,318</u>			

External Investment Pool financial statements:

Statement of Net Assets, June 30, 2007

Assets:

Investments in securities:	
U.S. Treasuries	\$ 33,315,329
U.S. Agencies	26,975,632
Corporate Bonds	8,467,852
Money Market Mutual Fund	17,315,887
State of Nevada Local Government Investment Pool	13,674,618
Interest receivable	<u>669,356</u>
Total Assets	<u>\$100,418,674</u>

Net assets consist of:

Internal participants	\$ 96,779,495
External participants	<u>3,639,179</u>

Total Net Assets Held in Trust for Pool Participants
(Participant units outstanding, \$1.00/par) \$100,418,674

Statement of Changes in Net Assets, Year Ended June 30, 2007

Additions:	
Investment income	\$ 5,639,234
Capital share transactions	<u>(13,116,068)</u>
Total Decrease	(7,476,834)
Net assets:	
Beginning of Year	<u>107,895,508</u>
End of Year	<u>\$100,418,674</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended June 30, 2007 was as follows:

	Restated Balance <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,228,791	\$ 10,979,611	\$ -	\$ 29,208,402
Construction in progress – infrastructure	1,300,249	1,563,896	(12,995)	2,851,150
Construction in progress	<u>5,984,619</u>	<u>8,604,238</u>	<u>(3,444,184)</u>	<u>11,144,673</u>
Total Capital Assets not being Depreciated	<u>25,513,659</u>	<u>21,147,745</u>	<u>(3,457,179)</u>	<u>43,204,225</u>
Capital assets, being depreciated:				
Buildings	59,917,851	123,305	(439,155)	59,602,001
Improvements other than buildings	23,359,631	871,070	(7,131)	24,223,570
Machinery and equipment	20,236,378	3,322,089	(1,252,015)	22,306,452
Infrastructure	<u>64,158,561</u>	<u>7,082,462</u>	<u>(293,591)</u>	<u>70,947,432</u>
Total Capital Assets being Depreciated	<u>167,672,421</u>	<u>11,398,926</u>	<u>(1,991,892)</u>	<u>177,079,455</u>
Less accumulated depreciation for:				
Buildings	(11,199,337)	(1,197,336)	58,791	(12,337,882)
Improvements other than buildings	(10,305,362)	(645,353)	7,130	(10,943,585)
Machinery and equipment	(11,017,309)	(1,382,324)	808,721	(11,590,912)
Infrastructure	<u>(12,923,620)</u>	<u>(246,485)</u>	<u>45,427</u>	<u>(13,124,678)</u>
Total Accumulated Depreciation	<u>(45,445,628)</u>	<u>(3,471,498)</u>	<u>920,069</u>	<u>(47,997,057)</u>
Total Capital Assets being Depreciated, Net	<u>122,226,793</u>	<u>7,927,428</u>	<u>(1,071,823)</u>	<u>129,082,398</u>
Governmental Activities Capital Assets, Net	<u>\$147,740,452</u>	<u>\$29,075,173</u>	<u>\$(4,529,002)</u>	<u>\$172,286,623</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,076,948	\$ -	\$ -	\$ 3,076,948
Construction in progress	15,642,654	7,084,223	(8,429,996)	14,296,881
Water rights	<u>8,007,260</u>	<u>-</u>	<u>-</u>	<u>8,007,260</u>
Total Capital Assets not being Depreciated	<u>26,726,862</u>	<u>7,084,223</u>	<u>(8,429,996)</u>	<u>25,381,089</u>
Capital assets, being depreciated:				
Buildings	12,327,667	3,681	-	12,331,348
Improvements other than buildings	137,754,239	12,480,945	(483,972)	149,751,212
Machinery and equipment	<u>8,200,481</u>	<u>1,646,786</u>	<u>(161,186)</u>	<u>9,686,081</u>
Total Capital Assets being Depreciated	<u>158,282,387</u>	<u>14,131,412</u>	<u>(645,158)</u>	<u>171,768,641</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

	Balance <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2007</u>
Less accumulated depreciation for:				
Buildings	\$ (2,512,040)	\$ (254,253)	\$ (1,767)	\$ (2,768,060)
Improvements other than buildings	(52,785,407)	(3,850,920)	202,406	(56,433,921)
Machinery and equipment	<u>(4,726,866)</u>	<u>(630,473)</u>	<u>173,139</u>	<u>(5,184,200)</u>
Total Accumulated Depreciation	<u>(60,024,313)</u>	<u>(4,735,646)</u>	<u>373,778</u>	<u>(64,386,181)</u>
Total Capital Assets being Depreciated, Net	<u>98,258,074</u>	<u>9,395,766</u>	<u>(271,380)</u>	<u>107,382,460</u>
Business-type activities capital assets, net	<u>\$124,984,936</u>	<u>\$ 16,479,989</u>	<u>\$(8,701,376)</u>	<u>\$132,763,549</u>

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

Governmental activities:	
General government	\$ 152,407
Judicial	10,043
Public safety	1,468,923
Public works	441,324
Airport	46,735
Health	127,491
Culture and recreation	1,220,804
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,771</u>
Total Depreciation Expense – Governmental Activities	<u>\$3,471,498</u>
Business-type activities:	
Carson City Sanitary Landfill	\$ 168,563
Ambulance	87,621
Sewer	2,499,322
Water	1,871,094
Cemetery	21,932
Storm Drainage	67,297
Building Permits	<u>19,817</u>
Total Depreciation Expense – Business-Type Activities	<u>\$4,735,646</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Construction commitments

The City was committed to construction projects in various funds, as of June 30, 2007, as follows:

<u>Project Name</u> <u>Contract Number</u> <u>Vendor Name</u>	<u>Bid Award</u>	<u>Value of Work Completed as of June 30, 2007</u>	<u>Remaining Commitment as of June 30, 2007</u>
<u>Sewer Funds:</u>			
Freeway Utilities Relocation, Phase 2A #2006-074 Rapid Construction	\$ 1,740,087	\$1,529,398	\$ 210,689
Freeway Utilities Relocation, Phase 2A #2006-170 Marv McQueary Excavation	5,244,899	-	5,244,899
<u>Regional Transportation Fund:</u>			
Saliman Road Construction #2006-147 Sierra Nevada Construction	732,951	576,413	156,538
2007 Street Maint Program #2006-148 Sierra Nevada Construction	756,497	702,437	54,060
<u>Quality of Life Fund:</u>			
Bob Boldrick Theater #2006-111 Building Solutions	311,115	42,480	268,635
<u>Capital Facilities Fund:</u>			
Sheriff's Administration Building Various Various	<u>9,433,614</u>	<u>5,735,962</u>	<u>3,697,652</u>
Total	<u>\$18,219,163</u>	<u>\$8,586,690</u>	<u>\$9,632,473</u>

Other Commitments:

On April 1, 1997, the City entered into an agreement with the State of Nevada, Department of Transportation (Highway Agreement No. R159-97-060) to help construct the Carson City Bypass. The City is funding this obligation through a \$.05 increase in the county motor vehicle fuel tax. The City intends to contribute a total of \$19 million plus interest. As of June 30, 2007 the City has contributed \$14,196,189.

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

- The City shall pay to NDOT an amount of \$15,000,000, with payments beginning upon completion of the funding obligation for Phase I of the freeway as prescribed in Highway Agreement No. R159-97-060 and amended herein, estimated to start in 2011 and finish in 2026. For Phase 2, the City shall pay

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

the tax based on a \$.03 levy in the county motor vehicle fuel tax. The amounts received from the additional \$.02 levy will be used to maintain Carson Street and Fairview Drive as described below.

- It is further agreed that the City will assume ownership and maintenance responsibility for Carson Street from approximately Arrowhead Drive in the north to the intersection of the Carson City Freeway at the Spooner Intersection to the south, upon construction completion to the point when vehicles are using Phase 2.
- The City also agrees to construct Fairview Drive to a minimum of four through lanes with turn lanes, from the terminus of Phase 2A at Fairview Drive to US 395/Carson Street, and to be responsible for maintenance of Fairview Drive.
- NDOT agrees to defer payment by the City of the current \$.05 tax as defined in Highway Agreement No. R159-97-060 from the period beginning July 1, 2005 through June 30, 2008, to allow the City to utilize the payments for the Fairview Drive improvements.

Discretely presented component units

Activity for the Airport Authority for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land	\$ 509,696	\$ -	\$(363,154)	\$ 146,542
Capital assets being depreciated:				
Machinery and equipment	531,402	-	-	531,402
Less accumulated depreciation for:				
Machinery and equipment	<u>(465,374)</u>	<u>(1,941)</u>	<u>-</u>	<u>(467,315)</u>
Total Capital Assets being Depreciated, Net	<u>66,028</u>	<u>(1,941)</u>	<u>-</u>	<u>64,087</u>
Airport Authority Capital Assets, Net	<u>\$ 575,724</u>	<u>\$(1,941)</u>	<u>\$(363,154)</u>	<u>\$ 210,629</u>

Activity for the Convention and Visitors' Bureau for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital assets, being depreciated:				
Buildings	\$135,000	\$ -	\$ -	\$135,000
Improvement other than buildings	8,729	-	-	8,729
Machinery and equipment	<u>51,109</u>	<u>-</u>	<u>-</u>	<u>51,109</u>
Total Capital Assets being Depreciated	<u>194,838</u>	<u>-</u>	<u>-</u>	<u>194,838</u>
Less accumulated depreciation for:				
Buildings	(43,199)	(4,183)	-	(47,382)
Improvements other than buildings	(6,693)	(582)	-	(7,275)
Machinery and equipment	<u>(26,449)</u>	<u>(10,042)</u>	<u>-</u>	<u>(36,491)</u>
Total Accumulated Depreciation	<u>(76,341)</u>	<u>(14,807)</u>	<u>-</u>	<u>(91,148)</u>
Convention and Visitor's Bureau Capital Assets, Net	<u>\$118,497</u>	<u>\$(14,807)</u>	<u>\$ -</u>	<u>\$103,690</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental fund	Nonmajor governmental fund	<u>\$91,284</u>

The above interfund balances at June 30, 2007 are generally short-term loans to cover temporary cash deficits in various funds. They are expected to be repaid in the next fiscal year.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government – general fund	Component unit – Convention and Visitors’ Bureau	\$ 12,950
Primary government – airport fund	Component unit – Airport Authority	249,686
Component unit – Airport Authority	Primary government – general fund	106,128
Component unit – Airport Authority	Primary government – airport fund	<u>47,208</u>
	Total	<u>\$415,972</u>

Interfund transfers:

<u>Transfer out:</u>	<u>Transfer In:</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 75,000	\$2,851,523	\$2,926,523
Quality of Life Fund	154,542	-	1,004,347	1,158,889
Nonmajor Governmental Funds	306,677	113,200	3,319,559	3,739,436
Nonmajor Enterprise Funds	-	-	<u>100,000</u>	<u>100,000</u>
Total transfers out	<u>\$461,219</u>	<u>\$188,200</u>	<u>\$7,275,429</u>	<u>\$7,924,848</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

D. LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds. During the year, general obligation bonds totaling \$12,394,100 were issued to refund general obligation bonds and to finance construction projects to both expand existing water facilities and construct additional facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.0-8.0%	\$60,949,351
Governmental activities - refunding	2.9-5.4%	13,625,000
Business-type activities	1.6-7.5%	51,148,585
Business-type activities - refunding	3.0-6.5%	5,971,600

Revenue Bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Regional Transportation	2.0-4.7%	\$5,140,000

Notes Payable. The City issues notes to provide funds for open space and building improvements and to refund Redevelopment debt. Notes payable outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Energy Retrofit	4.3287%	\$ 571,513
Open Space	3.25%	2,359,900
Redevelopment Refunding note	3.97%	1,467,600

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Capital Leases. The City has entered into lease agreements as lessee for financing the acquisition of office equipment. The net present value of minimum lease payments at year end was \$120,447.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$161,571
Less: Accumulated depreciation	<u>(35,569)</u>
Total	<u>\$126,002</u>

Compensated Absences. The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

Advance Refundings. On June 21, 2007, the City issued \$2,346,600 of General Obligation (Limited Tax) Water Refunding Bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$2,266,100 of general obligation bonds. The refunding was undertaken to refund the "Carson City, Nevada General Obligation (Limited Tax) Refunding Water Bonds (Additionally Secured by Pledged Revenues), Series 1997" maturing on September 1, 2008 to September 1, 2011. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets of the Water Fund. The reacquisition price exceeded the net carrying amount of the old debt by \$63,850. This amount is being netted against the new debt and amortized over the remaining life of the old debt, which is less than the life of the refunded debt. The advance refunding resulted in an increase in total debt service payments over the next twelve years of \$724,697 and an economic gain of \$2,066. The total amount of the outstanding debt defeased and placed in an irrevocable trust at June 30, 2007 was \$2,620,000.

Conduit Debt. On March 4, 2002, October 1, 2003, and October 27, 2005, the City issued \$45,185,000, \$95,000,000, and \$15,000,000, respectively, in revenue bonds for Carson-Tahoe Regional Healthcare, a non-profit corporation. The bonds, issued pursuant to NRS Chapter 268, are not obligations of the City, nor shall they ever constitute a debt of the City and therefore have been excluded from the City's financial statements. The principal balance outstanding at June 30, 2007 was \$152,350,000.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Changes in long-term liabilities. Long-term liability activity of the primary government for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds:					
4.0 to 4.1% Parks refunding general obligation bonds series 1998A, due 02/01/07	\$ 355,000	\$ -	\$ (355,000)	\$ -	\$ -
General obligation revenue bonds:					
5.05 to 8.0% Public Safety general obligation revenue bonds series 1997A, due 05/01/22	415,000	-	(415,000)	-	-
3.50 to 5.0% Parks general obligation revenue bonds series 1998A, due 11/01/18	3,600,000	-	(210,000)	3,390,000	220,000
3.50 to 5.1% Capital Improvement general obligation revenue bonds series 1998B, due 11/01/18	740,000	-	(45,000)	695,000	45,000
5.0 to 5.4% Capital Improvement general obligation revenue bonds series 1999A, due 07/01/20	1,995,000	-	(100,000)	1,895,000	105,000
4.0 to 5.0% 2001 Redevelopment general obligation revenue bonds, due 06/01/21	1,880,000	-	(30,000)	1,850,000	20,000
4.0 to 5.0% 2001 Senior Citizens Center general obligation revenue bonds, due 06/01/18	1,390,000	-	(90,000)	1,300,000	95,000
4.32% 2001 Energy Retrofit general obligation revenue bonds, due 05/28/12	984,293	-	(99,942)	884,351	111,897
4.0 to 5.4% Parks refunding general obligation revenue bonds series 1997C, due 02/01/11	870,000	-	(155,000)	715,000	165,000
2.9 to 3.5% Public Safety refunding general obligation revenue bonds series 2003, due 05/01/15	4,895,000	-	-	4,895,000	-
2.0 to 4.625% Room Tax Revenue supported general obligation revenue bonds series 2003, due 06/01/23	3,960,000	-	(40,000)	3,920,000	40,000
3.0 to 4.4% Parks general obligation revenue bonds series 2005, due 03/01/25	945,000	-	(35,000)	910,000	35,000
3.0 to 4.625% Parks general obligation revenue bonds series 2005, due 03/01/30	5,815,000	-	(20,000)	5,795,000	20,000
4.0 to 5.0% Sheriff/Hospital general obligation revenue bonds series 2005A, due 05/01/33	18,000,000	-	-	18,000,000	-
4.0 to 5.0% Capital Projects general obligation revenue bonds series 2005A, due 05/01/30	8,000,000	-	(195,000)	7,805,000	205,000
4.0 to 5.0% Refunding general obligation revenue bonds series 2005A, due 05/01/22	8,040,000	-	(25,000)	8,015,000	535,000
4.0 to 4.50% V&T Historical general obligation revenue bonds series 2005B, due 12/01/25	15,000,000	-	(495,000)	14,505,000	515,000
Subtotal	<u>76,529,293</u>	<u>-</u>	<u>(1,954,942)</u>	<u>74,574,351</u>	<u>2,111,897</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Changes in long-term liabilities. Long-term liability activity of the primary government for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Revenue Bonds:					
2.0 to 4.7% 2003 Highway Revenue motor vehicle fuel tax revenue bonds, due 06/01/23	\$ 5,360,000	\$ -	\$ (220,000)	\$ 5,140,000	\$ 225,000
Notes Payable:					
4.3287% Energy Retrofit Installment Purchase Financing dated 2/11/03, due 2/11/13	637,317	-	(65,804)	571,513	72,635
3.25% Parks general obligation (limited tax) medium-term note dated 12/15/04, due 12/15/14	2,633,700	-	(273,800)	2,359,900	282,700
3.97% general obligation (Limited Tax) Redevelopment Authority refunding note series 2006, due 05/01/13	1,654,300	-	(186,700)	1,467,600	196,600
Subtotal	4,925,317	-	(526,304)	4,399,013	551,935
Deferred amounts:					
For issuance premiums	570,455	-	(29,421)	541,034	-
For issuance discounts	(188,372)	-	10,043	(178,329)	-
On refunding	(987,807)	-	102,448	(885,359)	-
Total Bonds and Notes Payable	86,563,886	-	(2,973,176)	83,590,710	2,888,832
Incurred but not Reported Claims Liability:	60,276	2,424	-	62,700	-
Capital Leases:	86,777	55,770	(22,100)	120,447	30,054
Compensated Absences Payable:	3,630,461	2,669,700	(2,652,125)	3,648,036	490,194
Governmental Activity Long-Term Liabilities	90,341,400	2,727,894	(5,647,401)	87,421,893	3,409,080
Business Type Activities:					
Bonds payable:					
General obligation revenue bonds:					
3.7 to 6.5% Water refunding general obligation revenue bonds series 1997, due 9/01/11	3,085,000	-	(3,085,000)	-	-
4.4 to 7.5% Water general obligation revenue bonds series 1997, due 5/01/13	1,015,000	-	(125,000)	890,000	130,000
3.5 to 4.7% Water general obligation revenue bonds series 1998C, due 5/01/14	1,030,000	-	(110,000)	920,000	115,000
4.9 to 5.0% Water general obligation revenue bonds series 1999B, due 11/01/14	1,050,000	-	(95,000)	955,000	100,000
4.875 to 5.2% Water general obligation revenue bonds series 2000B, due 12/01/15	990,000	-	(80,000)	910,000	80,000
1.6 to 4.9% Water general obligation revenue bonds series 2002, due 11/01/16	2,815,000	-	(195,000)	2,620,000	205,000
3.0 to 5.0% Water refunding general obligation revenue bonds series 2003, due 11/01/09	1,410,000	-	(330,000)	1,080,000	345,000
3.0 to 5.0% Water refunding general obligation revenue bonds series 2003, due 11/01/15	1,360,000	-	(110,000)	1,250,000	115,000
3.0 to 5.0% Water general obligation revenue bonds series 2003, due 11/01/23	5,615,000	-	(210,000)	5,405,000	220,000

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Changes in long-term liabilities. Long-term liability activity of the primary government for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
3.5 to 4.2% Water general obligation revenue bonds series 2005A, due 6/01/25	\$ 8,690,000	\$ -	\$ (320,000)	\$ 8,370,000	\$ 330,000
4.0% Sewer general obligation revenue bonds, dated 1994 State of Nevada revolving loan, due 07/01/14	1,372,097	-	(138,498)	1,233,599	144,093
3.825% Sewer general obligation revenue bonds, dated 1996 State of Nevada revolving loan, due 07/01/15	1,271,809	-	(113,357)	1,158,452	117,735
3.23% Sewer general obligation revenue bonds, dated 1998 State of Nevada revolving loan, due 07/01/18	4,624,723	-	(305,689)	4,319,034	315,643
3.5 to 4.7% Sewer general obligation revenue bonds series 1998D, due 11/01/13	730,000	-	(80,000)	650,000	80,000
4.875 to 5.2% Sewer general obligation revenue bonds series 2000B, due 12/01/15	2,060,000	-	(160,000)	1,900,000	170,000
1.6 to 4.9% Sewer general obligation revenue bonds series 2002, due 11/01/16	2,615,000	-	(180,000)	2,435,000	190,000
3.0 to 5.0% Sewer refunding general obligation revenue bonds series 2003, due 11/01/15	1,410,000	-	(115,000)	1,295,000	125,000
3.0 to 5.0% Sewer general obligation revenue bonds series 2003, due 11/01/23	3,740,000	-	(140,000)	3,600,000	145,000
4.0 to 4.15% 2001 Landfill general obligation revenue bonds, due 06/01/08	290,000	-	(140,000)	150,000	150,000
3.0 to 4.25% Drainage general obligation revenue bonds series 2005B, due 06/01/25	5,795,000	-	(210,000)	5,585,000	220,000
4.34% Water refunding general obligation revenue bonds series 2007, due 12/01/18	-	2,346,600	-	2,346,600	25,000
4.34% Water general obligation revenue bonds series 2007, due 12/01/18	-	10,047,500	-	10,047,500	-
Subtotal	50,968,629	12,394,100	(6,242,544)	57,120,185	3,322,471
Deferred amounts:					
For issuance premiums	607,148	-	(62,206)	544,942	-
On refunding	(265,577)	(107,859)	58,050	(315,386)	-
Total bonds payable	51,310,200	12,286,241	(6,246,700)	57,349,741	3,322,471
Arbitrage	-	2,522	-	2,522	-
Landfill Closure/Post closure costs:	2,361,543	156,773	-	2,518,316	-
Compensated Absences Payable:	609,795	408,220	(445,257)	572,758	48,703
Business-Type Activity Long-Term Liabilities	54,281,538	12,853,756	(6,691,957)	60,443,337	3,371,174
Total debt	<u>\$ 144,622,938</u>	<u>\$ 15,581,650</u>	<u>\$ (12,339,358)</u>	<u>\$ 147,865,230</u>	<u>\$ 6,780,254</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$129,467 of internal service funds compensated absences and \$62,700 of incurred but not reported claims liability are included in the above amounts.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Discretely presented component units

Long-term liability activity for the Airport Authority for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Capital leases	\$ 238,853	\$ -	\$ (6,240)	\$ 232,613	\$ 6,240
Prepaid Lease Agreement	356,842	100,679	(7,893)	449,628	9,124
	<u>\$ 595,695</u>	<u>\$ 100,679</u>	<u>\$ (14,133)</u>	<u>\$ 682,241</u>	<u>\$ 15,364</u>

Long-term liability activity for the Convention and Visitors' Bureau for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Compensated absences	\$ 59,907	\$ 7,694	\$ -	\$ 67,601	\$ -

Payment requirements for debt service. The annual debt service requirements to maturity for all bonds outstanding of the primary government are as follows:

Year Ended June 30	GOVERNMENTAL ACTIVITIES					
	General Obligation Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,111,897	\$ 3,286,109	\$ 225,000	\$ 199,925	\$ 551,935	\$ 154,404
2009	2,419,754	3,199,746	230,000	193,100	587,434	133,828
2010	2,523,569	3,099,659	235,000	186,125	619,716	111,913
2011	2,623,404	2,994,917	245,000	178,803	657,370	88,676
2012	2,744,326	2,891,786	255,000	170,670	700,192	63,921
2013-2017	16,196,401	12,697,342	1,410,000	703,840	1,282,366	53,230
2018-2022	19,175,000	8,818,270	1,730,000	384,191	-	-
2023-2037	14,865,000	4,659,172	810,000	38,343	-	-
2028-2032	10,310,000	1,716,156	-	-	-	-
2033-2037	1,605,000	74,231	-	-	-	-
Total	<u>\$ 74,574,351</u>	<u>\$ 43,437,388</u>	<u>\$ 5,140,000</u>	<u>\$ 2,054,997</u>	<u>\$ 4,399,013</u>	<u>\$ 605,972</u>

Year Ended June 30	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	Capital Leases		General Obligation Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 30,054	\$ 14,391	\$ 3,322,471	\$ 2,315,130
2009	34,344	10,099	3,313,116	2,167,110
2010	32,427	5,339	3,454,507	2,030,796
2011	15,067	2,340	3,206,670	1,903,907
2012	8,555	496	3,324,634	1,775,644
2013-2017	-	-	16,594,710	6,710,329
2018-2022	-	-	12,276,477	3,801,781
2023-2037	-	-	11,627,600	1,219,182
2028-2032	-	-	-	-
2033-2037	-	-	-	-
Total	<u>\$ 120,447</u>	<u>\$ 32,665</u>	<u>\$ 57,120,185</u>	<u>\$ 21,923,879</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

E. RESTRICTED ASSETS

The balances of the City's restricted asset accounts in the enterprise funds are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Connection deposits	\$ 9,188	\$14,763	\$ 23,951
Construction contracts, retained percent	102,372	46,847	149,219
Emergency replacement	2,742,096	-	2,742,096
	<u>\$2,853,656</u>	<u>\$61,610</u>	<u>\$2,915,266</u>

The balances of the City's restricted asset accounts in the governmental funds are as follows:

	<u>General</u>	<u>Commissary</u>	<u>Total</u>
Funds held in trust	<u>\$980,165</u>	<u>\$23,740</u>	<u>\$1,003,905</u>

NOTE 4 - OTHER INFORMATION

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has joined together with similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a pool under the Nevada Interlocal Cooperation Act. The Nevada Public Agency Insurance Pool (Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members. The City pays an annual premium and is subject to a \$100,000 deductible per occurrence. The Pool is considered a self-sustaining risk pool that will provide coverage for its members up to \$10,000,000 per event and a \$13,000,000 general aggregate per member. Other coverage currently held by the City, including airport liability, boiler and machinery, and bonds on public officials, are insured without a deductible. In addition, certain automobile damage is self-insured by the City.

The City became a member of the Public Agency Compensation Trust (PACT) for workers' compensation beginning July 1, 2003. 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 based on established statutory limits. The City retains liability for claims for the period from July 1, 1992 to June 30, 2003 when the City was self-insured.

Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The liabilities for claims and judgments are reported in the Workers' Compensation and Insurance Funds. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>	
			<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ 661,394	\$60,276	\$ 721,670	\$ 737,782
Claims and changes in estimates	415,895	2,424	418,319	449,208
Claim payments	<u>(481,925)</u>	<u>-</u>	<u>(481,925)</u>	<u>(465,320)</u>
Unpaid claims, end of fiscal year	<u>\$ 595,364</u>	<u>\$62,700</u>	<u>\$ 658,064</u>	<u>\$ 721,670</u>

Settlements have not exceeded coverages in any of the past three fiscal years.

B. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City operates a Municipal Solid Waste Landfill. The operation of this landfill is regulated by both federal and state governments under Subtitle D (40 CFR Part 258) and NRS 444.556. Recognition of liability for closure and post closure care costs is based on landfill capacity used to date. This liability at June 30, 2007, \$2,518,316, is reported in the Carson City Sanitary Landfill Enterprise Fund. It is estimated that the landfill will be used for an additional fifty-two years and that at June 30, 2007, approximately 32.03 percent of its capacity had been utilized. The City passes the EPA "financial assurance test" for local governments, and will self-assure payment for its obligations for closure, post closure, and corrective care costs. The estimated total current cost of closure and post closure care, \$7,862,368, has been calculated in 2007 dollars in accordance with current federal and state regulations and will be adjusted each year for the effects of inflation or deflation.

C. CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not determinable, it is the opinion of the District Attorney, the City's counsel, that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has wells that currently exceed the proposed federal drinking water standard for naturally occurring arsenic concentrations. Depending upon the final outcome of the regulations, the City may incur approximately \$6,700,000 by 2009 to meet the new standard.

D. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4E, the City provides for a portion of postretirement health care benefits, in accordance with Carson City Administration Policy No. 3, to all employees who have been full-time, permanent employees for 10 or more years and have served 5 years immediately prior to retirement with Carson City. They must also be eligible to draw retirement benefits in accordance with the policies set forth under the Retirement Board regulations, be insurable under the eligibility requirements established by the City's insurance carrier, have been covered under a City paid group insurance program other than Industrial Insurance, and have been favorably terminated from City services. The City reimburses a portion of the monthly premium paid to the group insurance company at a rate of \$6 per month for each year of service up to the total cost of the premium. The City accounts for and finances these benefits on a pay-as-you-go basis. Currently, 112 retirees are receiving these benefits. Expenditures of \$199,443 were recognized for the portion paid by the City for postretirement health care for the fiscal year ended June 30, 2007. There are 108 retirees deducting medical insurance premiums from their pension benefits. Such deductions were in the amount of \$492,871 during the fiscal year ended June 30, 2007.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Post employment benefits are also available to City retirees, if the retiree so elects, as established by Nevada Revised Statutes, through the Public Employees' Benefits Program (PEBP) based on date of retirement and years of service. A portion of the cost of coverage under PEBP is paid by the City for those retired employees joining PEBP. As of June 30, 2007, the City paid \$347,934 for 91 retirees participating in PEBP. Premium payments are funded by operating resources as incurred and no provision has been made to permanently fund future liabilities.

E. DEFINED BENEFIT PENSION PLAN

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

Funding Policy. Plan members' benefits are funded under one of two methods. Under the employer pay contribution plan, the City is required to contribute all amounts due under the plan. The rate for those contributions was 19.75% for regular members and 32% for police and fire employee members on all covered payroll. The second funding mechanism for providing benefits to regular employees is the employer/employee paid contribution plan. Under this method, employees are required to contribute a percentage of their compensation to the plan, while the City is required to match that contribution. The rate for regular employees under this plan was 10.50%. The contribution requirements of plan members and the City are established by NRS Chapter 286. The funding mechanism may only be amended through legislation. The City's contributions to PERS for the years ended June 30, 2007, 2006, and 2005 were \$7,951,803, \$7,895,956, and \$6,916,465, respectively, equal to the required contributions each year. The contribution rates for the years ended June 30, 2007 and June 30, 2006 were the same as disclosed above. The contribution rates for the year ended June 30, 2005 were 20.25% for regular employees, 28.50% for police and fire employees under the employer paid plan, and 10.50% for regular employees under the employer/employee paid plan.

F. CHANGE IN ACCOUNTING PRINCIPLE

Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements and Management’s Discussion and Analysis requires retroactive reporting of all major general infrastructure assets for fiscal years ending after June 30, 1980. In implementing this requirement, Carson City determined the historical cost of infrastructure assets by calculating the current replacement cost of similar assets and deflating this cost through the use of price-level indexes to the acquisition year. Accumulated depreciation was calculated on the deflated amount. The following is a summary of the increases to infrastructure assets and net assets as a result of the cumulative effect of this change in accounting principle:

	Balance June 30, 2006 (as originally reported)	Increases	Balance June 30, 2006 (as adjusted)
Capital Assets:			
Infrastructure	\$10,908,319	\$ 53,250,242	\$ 64,158,561
Less accumulated depreciation for:			
Infrastructure	<u>(384,131)</u>	<u>(12,539,489)</u>	<u>(12,923,620)</u>
Net balance/change	<u>\$10,524,188</u>	<u>\$ 40,710,753</u>	<u>\$ 51,234,941</u>

The increase to infrastructure includes the roads throughout Carson City.