
INTRODUCTORY SECTION

Mayor
Shari L. Buck

Council Members
William E. Robinson
Robert L. Eliason
Anita G. Wood
Richard J. Cherchio



Acting City Manager
Maryann I. Ustick

Finance Department • Philip F. Stoeckinger, Finance Director
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December 31, 2009

To the Honorable Mayor, Members of the City Council, and Citizens of the City of North Las Vegas:

The Comprehensive Annual Financial Report (CAFR) for the City of North Las Vegas (the “City”) for the fiscal year ended June 30, 2009, is hereby submitted. The State of Nevada (the “State”) law requires that a local government obtain an annual audit by independent certified public accountants of its financial statements in accordance with auditing standards generally accepted in the United States.

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

The City’s financial statements have been audited by Piercy Bowler Taylor & Kern, Certified Public Accountants and Business Advisors. The goal of an independent audit is to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatement. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditors concluded, based on their audit, that there was a reasonable basis for rendering an unqualified (“clean”) opinion that the City’s basic financial statements for the fiscal year ended June 30, 2009, are presented fairly in all material respects in conformity with GAAP. The independent auditors’ report on the basic financial statements is presented as the first component of the Financial Section of this report.

The independent audit of the basic financial statements of the City was part of a broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the City's compliance with certain provisions of laws, regulations, contracts, grant agreements and internal controls over both financial reporting and compliance.

GAAP requires 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. The City's MD&A can be found immediately following the report of the independent auditors on the basic financial statements.

Profile of the City of North Las Vegas

The City is located in Clark County, Nevada. With a population exceeding 221,003, the City ranks as the fourth largest city in the State of Nevada and is the 19th fastest growing large city in America, according to the U.S. Census Bureau. The City's population has grown over 320% since 1990 and continues to grow with its population increasing by approximately 300 residents each month. The City of North Las Vegas was incorporated in 1946 and currently occupies 100.44 square miles and is approximately 42% built-out, with a majority of land remaining undeveloped. The City of North Las Vegas is empowered by State Statutes to extend its corporate limits by annexation, which it has done from time to time; in September 2009, the City annexed 30.64 acres of land.

The City currently has two major master-planned communities: one consisting of 1,080 acres is approximately 85% built-out, and the other consisting of 1,905 acres is approximately 96% built-out. During fiscal year 2005-06, 2,675 acres were sold to Olympia Group to be developed into another master-planned community, which at build-out was expected to be home to approximately 50,000 residents. However, Olympia Group has since filed for Chapter 11 bankruptcy in order to restructure their debt and as such, this master-planned community project has been deferred.

Although slower than in previous years, businesses continue to relocate to the City because of the proximity to major highways, availability of land, and telecommunications infrastructure. In 2008, 45 businesses totaling 1,392,183 square-feet, moved into the City. Of businesses already in the City, seven expanded in 2008, adding a total of 436,277 square-feet.

The City is empowered by State Statutes to levy a property tax on both real and personal property located within its boundaries. The City's property tax rate is \$1.1637 per \$100 in assessed valuation.

The City operates under a Council-Manager form of government, with elective offices consisting of the Mayor, four City Council members and two municipal judges. The Mayor and all Council members are elected on an at-large, non-partisan basis to serve a four-year term. Effective January 1, 2000, four North Las Vegas council wards were created. With the exception of the Mayor, each council member represents the ward in which they reside. Terms of office are staggered so that City-wide elections are held every two years for two or three of the five offices.

The City provides a full range of services, including a municipal court, public safety (police and fire), water and wastewater, highways and streets, planning and zoning, parks and recreational facilities, libraries,

community development and general administrative services. In addition to general governmental activities, the City Council exercises oversight responsibility for the North Las Vegas Library District and the North Las Vegas Redevelopment Agency; consequently, these activities have been included in this financial report as blended component units.

The annual budget serves as the foundation for the City's financial planning and control. All departments and agencies of the City are required to submit requests for appropriations to the City's Finance Director on or before December 31 of each year. Prior to April 15, the Finance Director submits a tentative budget for the ensuing fiscal year to the City Council, the Nevada State Department of Taxation and the citizens through public hearings. Public hearings, at which all changes made to the tentative budget are indicated, are conducted on the third Tuesday in May. The City Council adopts the budget prior to June 1 and submits it to the Nevada Tax Commission (Department of Taxation) for final approval.

The annual budget is prepared by fund, function and department. Per State law, the City Manager is authorized to transfer budgeted amounts within functions or funds if the City Council is notified at the next regular meeting and the action is noted in the official minutes. Revisions affecting the total fund appropriations or transfers between funds require formal City Council approval.

Activities of the general fund, special revenue funds, debt service fund, capital projects funds, enterprise funds and internal service funds are included in the annual budget. The level of budgetary control is statutorily required to be exercised at the function level. Most encumbered amounts lapse at year end, with only a small number of encumbrances being re-appropriated as part of the following year's budget.

Local Economy

The tourism industry, which is based on legalized gambling and related forms of entertainment, continues to be the largest component of southern Nevada's economic base and the means for construction and growth in many other sectors. For the Las Vegas area, commercial development has been driven by the demand of travel and tourism. Over the past several years, construction employment led the local economy as large commercial projects created tens of thousands of jobs that drew workers from other parts of the Country, increasing the local population and thus driving neighboring housing development. Previously, the local economy generally outperformed the State and national economies with construction employment leading the local economy.

However, despite the long period of economic expansion and growth of southern Nevada's economic base, it hasn't been immune to the recession occurring throughout the Country. Although more jobs have been created in Clark County in the last 9 years than have been lost, the unemployment rate nearly doubled to 12.3% in June 2009 compared to 6.3% in June 2008, with construction leading with the largest amount of job losses. Unfortunately, foreclosure filings were reported for one in every 24 housing units in the City. Although the City has experienced a 175.2% increase in assessed valuation over the last five years, for fiscal year 2009-10, the City's assessed valuation has dropped by 27.1%.

Southern Nevada's commercial development industry is also being severely impacted by commercial real estate defaults. It's estimated that the minimum amount of troubled commercial property in the Las Vegas area in June was \$9.3 billion. As such, the City's construction and permit activity has dropped dramatically. The City issued only 512 new single family and 47 new commercial/industrial

building permits valued at \$140 million in fiscal year 2008-09 compared to 1,240 new single family and 114 new commercial/industrial building permits valued at \$275 million in fiscal year 2007-08.

For the fiscal year ended June 30, 2009, the City's share of the consolidated tax distribution, which primarily consists of sales tax and is the largest single revenue source in the general fund, dropped 21% compared to fiscal year ended June 30, 2008. The City has experienced double-digit declines in this revenue source for the last 13 consecutive months.

Long-Term Financial Planning

In 2006, for budgetary and financial planning purposes, the City Council established that an 18% ratio be maintained in the general fund of fund balance compared to the combined total of encumbrances and operating expenditures. However, given the current economic conditions, in February 2009, the City Council approved a plan to allow the 18% ratio to fall to 10%, with the intent that it would be restored to the 18% in the near future. Although the City achieved a 20.3% ending general fund fund balance ratio for the fiscal year ended June 30, 2009, this percentage has declined to 10.4% for the quarter ended September 30, 2009; actions have been taken by the City Council as recently as the date of this letter to mitigate further declines in fund balance.

In November 2009, Fitch Ratings downgraded the City's bond rating to 'AA-' from 'AA'. The downgrade reflects the markedly weaker financial profile of the City, as evidenced by the sizeable declines in property tax and consolidated tax receipts (largely consumption and development related), which have been caused by the severe housing- and tourism-led recession. Fitch Ratings further indicated that the City's financial position is strained, but adequate.

Maintaining adequate levels of service is a critical challenge that must be addressed as the City's population continues to grow during this very difficult economic environment. The City maintains a five-year financial forecast for its major funds and certain special revenue funds. The City continues to update the five-year forecast that serves as the cornerstone for the financial action plan and operating budget strategies. The forecasts provide an understanding of how the total financial program will be affected by certain economic factors and assumptions and enables the City to estimate the resources that will be necessary to meet the requirements of existing programs and to make necessary adjustments accordingly.

Since 2007, the City has been implementing a number of cost-saving actions in order to continue its prudent fiscal management. Such actions have included budget reductions of approximately \$6.5 million in 2007; the elimination of vacant positions in excess of 70 positions; implementation of a hiring "chill" over the past two years; budget reductions of 3% during FY 2008-09 totaling \$6 million with another \$11.1 million thus far in FY 2009-10 and various salary concessions totaling \$8.7 million. Another \$14.8 million in reductions is being proposed for FY 2009-10 and \$43.5 million for FY 2010-11. Additionally, a number of capital improvement projects are being delayed and/or canceled.

The Capital Improvement Plan (CIP) is a multi-year planning document that is updated and adopted on an annual basis. The CIP prioritizes major capital projects and identifies revenue sources available to finance the improvements. Although the City Council adopted a FY 2009-13 CIP in excess of \$1 billion, a number of projects have been deferred until such time as the economy improves.

Major initiatives

Under the American Recovery and Reinvestment Act of 2009, the City will be receiving funds in the amount of \$6,837,736 from the U.S. Department of Housing and Urban Development and \$1,814,256 from the State of Nevada for purposes of carrying out neighborhood stabilization programs (NSP) to combat the effects of home foreclosures. The City has applied for an additional \$120,015,000 for the same purpose.

The City, in November 2008, began construction of a wastewater reclamation facility on a 41-acre site capable of treating 25 million gallons of wastewater per day (mgd), the estimated amount generated by 300,000 people. The project is expected to boost economic development in the City and construction of the facility created about 500 jobs. The facility is expected to be completed in 2011 at a projected cost of less than \$257 million. The water reclamation facility will use state-of-the-art wastewater treatment and environmentally friendly technology that will prevent odors and actively control noise emissions. The City currently contracts with another agency for wastewater reclamation services.

As part of the City's 20-year Facility Master Plan, construction began in June 2009 on a \$90.4 million 9-story, 211,000 square-foot new city hall facility to be built on a 12-acre site. The facility has been designed to consolidate municipal services and support the City's growth in upcoming years. The new city hall building is expected to achieve Leadership in Energy and Environmental Design (LEED) Silver Certification, becoming the City's first LEED Certified building. The LEED Green Building Rating System is a third-party certification program and the nationally accepted benchmark for the design, construction and operation of high performance green buildings. The existing 28,923 square-foot city hall was built in 1966.

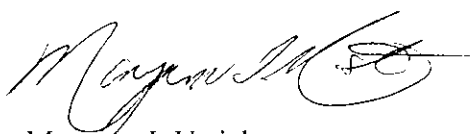
Awards and Acknowledgements

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2008. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report would not have been possible without the dedicated services of the Finance Department and our independent auditors, Piercy Bowler Taylor & Kern, Certified Public Accountants and Business Advisors. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report. Credit is also given to the Mayor and members of the City Council for their interest and support in planning and conducting the operations of the City in a responsible and progressive manner.

Respectfully submitted,



Maryann I. Ustick
Acting City Manager



Philip F. Stoeckinger
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Las Vegas
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.



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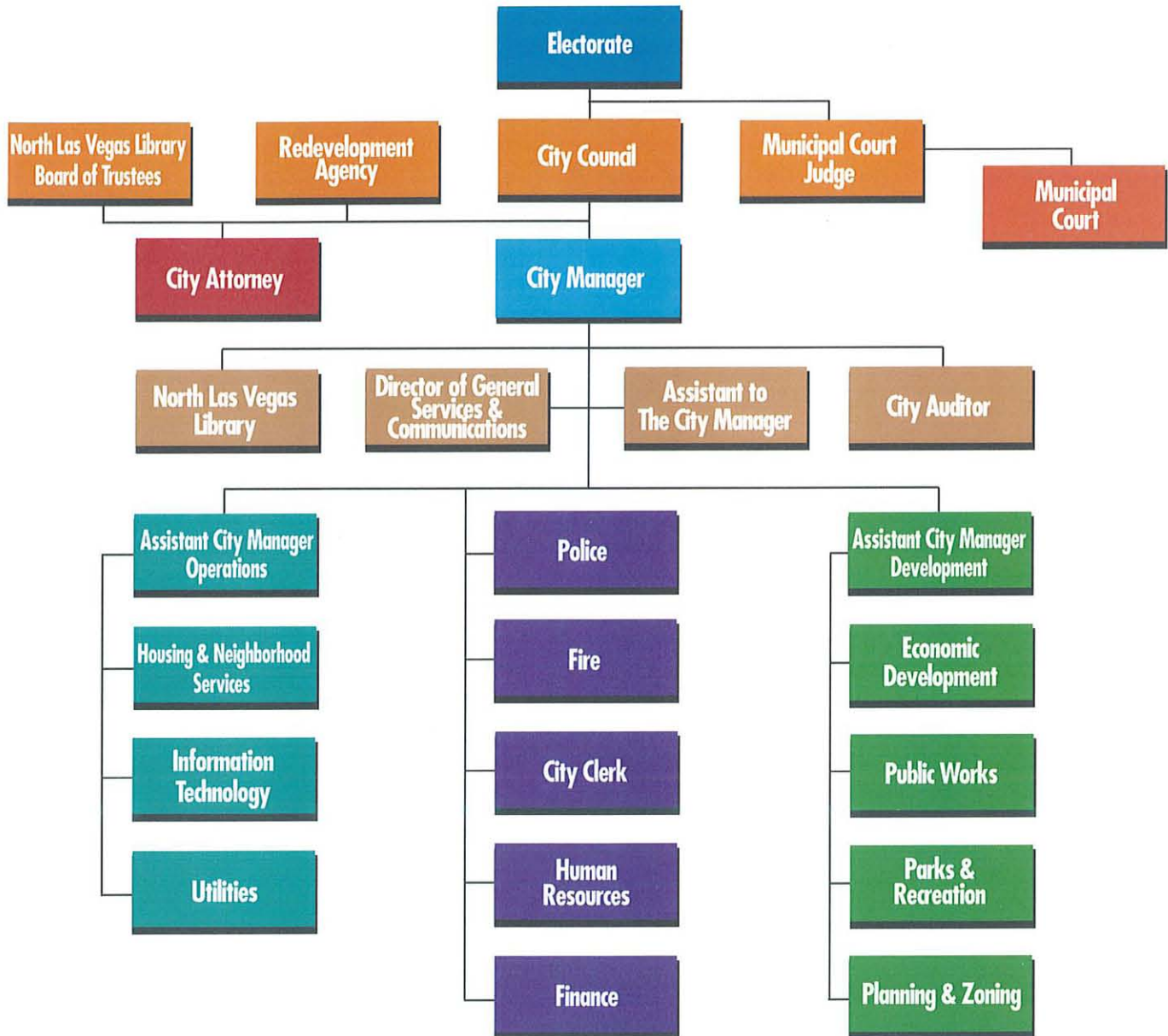
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF NORTH LAS VEGAS
ORGANIZATIONAL CHART

June 30, 2009



**City of North Las Vegas
Principal Officials
June 30, 2009**

Elected Officials

Mayor	Michael L. Montandon
Mayor Pro Tempore	William E. Robinson
Council Member	Stephanie S. Smith
Council Member	Shari Buck
Council Member	Robert L. Eliason
Municipal Judge	Warren VanLandschoot
Municipal Judge	Sean Hoeffgen

Appointed Officials

City Manager	Gregory E. Rose
City Attorney	Carie A. Torrence
Assistant City Manager	Maryann I. Ustick
Assistant City Manager	Samuel H. Chambers
City Clerk	Karen L. Storms
Court Administrator	Debbie Miller
Economic Development Director	Michael Majewski
Finance Director	Phil Stoeckinger
Fire Chief	Al Gillespie
General Services and Communications Director	Brenda S. Fischer
Housing and Neighborhood Services Manager	Kenny Young
Human Resources Director	Joyce A. Lira
Information Technology Director	Steven W. Chapin
Library Director	Kathy Pennell
Parks and Recreation Director	Michael Henley
Planning and Zoning Director	Frank Fiori
Police Chief	Joseph K. Forti
Public Works Director	Qiong Liu
Utilities Director	David Bereskin