

**Notes to the
Financial Statements**

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements
For the Year Ended June 30, 2009

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of North Las Vegas (the "City"), incorporated in 1946, is governed by an elected Mayor and four City Council members. The City is a full-service city located at the northern tip of the Las Vegas valley. Services provided by the City include 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.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by GAAP, these financial statements present the activities of the City and its component units. Blended component units, although legally separate entities, are in substance, part of the City's operations and, therefore, data from these units is combined with data of the primary government.

In determining how to define the financial reporting entity, management considered all potential component units using the standards prescribed under GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable and other organization for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the organization's governing board, and either the ability of the primary government to impose its will on the organization or the possibility that the organization will provide a financial benefit to or impose a financial burden on the primary government. In addition to financial accountability, component units can be other organizations in which the economic resources received or held by that organization are entirely or almost entirely for the direct benefit of the primary government, the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by that organization and the resources to which the primary government is entitled or has the ability to otherwise access are significant to the primary government.

Based on the above criteria, that there are no requirements that would cause the City to be included in another entities' financial statements and the following entities were determined to be component units of the City and have been presented as blended component units, these component units' governing bodies are substantially the same as the governing body of the City.

North Las Vegas Redevelopment Agency (the "Agency")
North Las Vegas Library District (the "Library District")

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Additionally, the State of Nevada, Department of Taxation, dictates that the Agency and the Library District are legally separate entities for budget reporting purposes and the City provides a majority of services required by the Agency and the Library District, such as financial administration, human resources administration, and redevelopment planning. Revenues for the Agency and Library District are derived from property taxes assessed on the redevelopment district and library district, respectively, and transfers from the City's general fund. Based on these factors, the Agency and Library District are included within the financial statements as special revenue funds using the "blending" method for financial reporting purposes.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Eliminations have been made to minimize the double counting of internal activities. Services provided by the general fund to other funds are reported as expenditures or expenses, as appropriate, in the funds receiving the services and as reductions of expenditures in the general fund. *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 service charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are specifically associated with a specific function or business-type activity. *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 business-type activity, (2) operating grants and contributions, and (3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes, internally dedicated resources and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category, *governmental, proprietary and fiduciary*, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column; all remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, such as fees and/or charges for services and operating expenses generally result from exchange transactions, such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues, such as subsidies and investment earnings, and nonoperating expenses result from nonexchange transactions or ancillary services.

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

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statements. Revenues are recorded when earned and expenses are recorded when liabilities are 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; the City has elected not to follow FASB pronouncements issued after November 30, 1989.

The governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When revenues are due, but will not be collected within this 60-day period, the receivable is recorded and an offsetting deferred revenue account is established. Deferred revenues also arise when the government receives resources before it has legal claim to them, and thus in subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed and the revenue is recognized. Expenditures generally are recorded when liabilities are incurred as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences, post-employment benefits other than pensions, and claims and judgments, are recorded only when payment is due.

Property taxes, consolidated tax revenue (sales taxes, cigarette taxes, motor vehicle privilege taxes and liquor taxes), gaming taxes, gasoline taxes, grants, franchise fees 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. All other revenue items are considered to be measurable and available only when the City receives payment.

Property tax revenue is recognized in the fiscal year in which the taxes become due to the extent they are collected during the fiscal year or soon enough thereafter that they can be used to finance current period expenditures (no later than 60 days after year end).

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund and accounts for the accumulation of financial resources of the general government, except for those required to be accounted for in a separate fund.

The **Public Safety Tax Fund**, a special revenue fund, accounts for voter-approved property tax overrides to be used exclusively for public safety programs.

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The **Capital Projects Street Improvements Fund** accounts for the design, acquisition, construction and improvements of and to various streets and roadways within the City limits.

The **Capital Projects Civic Center Facilities Fund** accounts for the costs of acquisition, construction, equipping and furnishing of a new civic center facility financed through the sale of general obligation bonds.

The **Capital Projects Various New Municipal Buildings Facilities Fund** accounts for the costs of acquisition, construction, equipping and furnishing of various new facilities, including a community police facility, fire station and a multi-generational center; financing is provided by the sale of general obligation bonds.

The City reports the following major enterprise funds:

The **Water Utility Fund** accounts for the delivery of water services. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing and related debt service, billing and collection.

The **Wastewater Utility Fund** accounts for the collection and transmission of sewerage. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing and related debt service, billing and collection.

Additionally, the City reports the following fund types:

Internal Service Funds account for certain operations that provide services or resources to other departments and/or agencies of the City, or other governments, on a cost-reimbursement basis, such as vehicle acquisition and maintenance and the City's self-insurance program.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the City holds in a fiduciary capacity for individuals, private organizations, other governmental units, and/or other funds and include funds held for inmates, retention requirements pursuant to construction contracts and property assessments pledged for the payment of principal and interest.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The City invests by individual fund in two instances, but primarily pools cash resources of all other funds in order to facilitate the management of cash and investments (Note III). Cash includes currency on hand and demand deposits with banks or financial institutions. The city pools its cash resources into an internal investment management pool having the characteristics of a demand deposit account, in that all funds (including the proprietary funds) may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. As such, the cash applicable to any fund is readily identifiable and available to meet operating

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requirements. With this approach, the City is able to invest the monies at higher interest rates and with longer maturities. With the exception of those funds that are legally required to retain interest earnings, all other interest revenue is recorded as interest income in the general fund.

The City's cash and cash equivalents on deposit with financial institutions are often in excess of federally-insured limits, and the risk of losses related to such concentrations may increase as a result of recent economic developments including, but not limited to, weakness in the commercial and investment banking systems. The extent of a future loss to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution, if any, however, is not subject to estimation at this time.

The City is required to comply with Nevada Revised Statutes (NRS) governing investments and, in that regard, has invested in only (1) the Local Government Pooled Investment Fund administered by the Nevada State Treasurer, with oversight provided by the State's Board of Finance, (2) securities and other obligations of the United States Government, (3) money market mutual funds that invest only in securities issued by United States government agencies, and (4) money market demand deposit accounts. The City may also invest in commercial paper with a remaining maturity of no more than 270 days, bankers' acceptances not exceeding 180 days to maturity and negotiable notes or short-term negotiable bonds issued by local governments of the State of Nevada; however, the City has chosen not to undertake investments in these types of investment securities during the fiscal year ended June 30, 2009.

The City has also invested bond proceeds in an agreement for an exchange of interest rate, more commonly referred to as a guaranteed investment contract (GIC).

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*.

2. *Receivables and Payables*

Activity between funds that are representative of a lending/borrowing arrangement and are outstanding at the end of the fiscal year (*i.e.*, interfund loans) are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables (Note IV) are shown net of an allowance for uncollectible accounts, if applicable.

3. *Property Taxes*

Property taxes in Nevada are levied in accordance with Article 10 of the State Constitution. Taxes on real property are levied on July 1 of each year and a lien is also placed on the property on July 1. The Clark County Treasurer bills and collects the City's share of property taxes. The County Treasurer then remits on a monthly basis to the City all property taxes collected. The taxes are due on the third Monday in August, but can be paid in quarterly installments on or before the third Monday in August, and the first Monday in October, January and March. In the event of nonpayment, the County Treasurer is authorized to hold the property for two years, subject to

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redemption upon payment of taxes, penalties and costs, together with interest from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the County Treasurer may sell the property to satisfy the tax lien.

4. Inventories and Prepaid Items

Most of the City's inventory (Note V) is valued at cost using the first-in/first-out (FIFO) method, with the exception of inventory held for resale, which is valued at market value. Inventories of governmental funds in the fund financial statements are considered consumable supplies and as such, are recorded as expenditures at the time of purchase.

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

5. Restricted Assets

The City classifies "customer deposits" and "employee deposits" as restricted assets. "Unspent bond proceeds" of the City's bond issuances are also reported as restricted assets, as the use of these assets is restricted. In addition, "bond retirement" amounts accumulated to pay debt service payments over the next 12 months and are also classified as restricted assets.

6. Capital Assets

Capital assets (Note VI), which include land, buildings, equipment and infrastructure (*e.g.*, roads, bridges, curbs and gutters, drainage systems and water and wastewater utility systems) are reported in the proprietary fund financial statements and in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as those assets used in operations with an individual initial cost of \$5,000 or more and an estimated useful life extending beyond a single reporting period. All purchased capital assets are valued at cost or estimated historical cost. Contributed and donated capital assets are recorded at their estimated fair market value on the date of their contribution or donation.

The City's capital assets are depreciated over the following estimated useful lives using the straight-line method:

Buildings	40 years
Improvements other than buildings	15-40 years
Machinery and equipment	5-10 years
Infrastructure	15-100 years

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7. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits which are paid to employees in the event of separation from City employment. A liability for these benefits is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. These amounts are included as a liability in the government-wide and proprietary fund statements.

8. *Post-Employment Benefits Other than Pensions (OPEB)*

Effective July 1, 2007, the City implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* (Note XI). In accordance with the transition rules of the statement, the City elected to apply its measurement and recognition requirements on a prospective basis and set its beginning net OPEB obligation at zero for the year ended June 30, 2007. The annual OPEB cost reported in the accompanying financial statements is equal to the annual required contributions (ARC) of the City, calculated using an actuarial valuation based upon the same methods and assumptions applied in determining the plan's funding requirements. The OPEB obligation at June 30, 2009, was determined by adding the annual OPEB cost and interest earnings to the OPEB obligation at the beginning of the year and deducting any contributions to the plan during the year.

9. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund financial statements, long-term debt (Note IX) and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different than the effective interest 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, the governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and any 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.

10. *Inter-fund Transactions*

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed (Note VIII).

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11. Equity Classifications

In the government-wide and proprietary fund 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 is 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, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental fund equity is reported as fund balances and is displayed as reserved, unreserved/designated and unreserved/undesignated. Reservations of fund balance are established for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unreserved/designated fund balances represent amounts that are designated by management for a specific purpose.

12. Use of Estimates

The preparation of these financial statements includes estimates and assumptions made by management that affect the reported amounts; actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The City adheres to the Local Government Budget and Finance Act (Act) incorporated within the Statutes of the State of Nevada, in which annual budgets are legally adopted by the City Council for all funds except Agency Funds. Budgeted revenues and appropriations for all fund types are consistent with accounting principles generally accepted in the United States of America.

On or before 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. The Nevada Department of Taxation notifies the City Council of whether or not the budget is in compliance with the law and appropriate regulations. 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.

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Formal budgetary integration is employed as a management control tool during the fiscal year for all funds. Appropriations lapse at year end and encumbered appropriations are re-appropriated in the ensuing fiscal year.

In accordance with State Statutes, actual expenditures may not exceed budgeted appropriations of the various governmental functions (excluding the debt service function) of the general, special revenue, and capital projects funds. Pursuant to NRS 354.626, expenditures over budgeted appropriations are allowed for bond repayments, medium-term obligation repayments, and other long-term contracts expressly authorized by law. The sum of operating and nonoperating expenses in proprietary funds also may not exceed total appropriations.

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. Amendments, which affect the total fund appropriations or transfers between funds, are accomplished through formal City Council approval.

Augmentations and/or amendments to the adopted budget are made a matter of public record by actions of the City Council. The budget reflected in the accompanying financial statements has been amended from the original budget amounts in accordance with State Statutes.

III. Cash and Investments

The cash balances of all funds held by the City are pooled and invested for the purpose of increasing interest earnings through investment activities. Cash and investments are reported as "restricted" or "unrestricted," as appropriate in the government-wide and fund financial statements.

The following is a reconciliation of the City's cash and investments as of June 30, 2009:

Cash:	
Cash on hand	\$ 13,885
Deposits in banks	2,616,914
Investments	462,557,735
Total Cash and Investments	<u>\$465,188,534</u>

Total cash and investments at June 30, 2009, were presented in the City's financial statements as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$124,646,100	\$138,115,380	\$262,761,480
Business-type activities	77,775,639	112,807,673	190,583,312
Fiduciary funds		11,843,742	11,843,742
Total Cash and Investments	<u>\$202,421,739</u>	<u>\$262,766,795</u>	<u>\$465,188,534</u>

The City manages its investment portfolio in compliance with the NRS and its adopted Cash and Investment Financial Policy. Pursuant to NRS 355.170, permitted investments include obligations

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of the U.S. Treasury and agencies, not to exceed ten years to maturity; negotiable certificates of deposit issued by insured financial institutions, notes or short-term negotiable bonds issued by other local governments of the State of Nevada; bankers' acceptances eligible for rediscount with the Federal Reserve Bank that do not exceed 180 days in maturity and 20% of total investments; commercial paper having an "A-1" rating or equivalent, not to exceed 270 days to maturity and 20% of total investment; and money market mutual funds invested only in federal government agency securities with an "AAA" rating or equivalent or in repurchase agreements fully collateralized by such securities. Additionally, the City is permitted to purchase for investment the following securities, with certain limitations: notes, bonds and obligations issued by corporations, collateralized mortgage obligations and asset-backed securities.

A. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for daily operations.

At June 30, 2009, the City had the following investment types and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1 to 3</u>	<u>4 to 6</u>
U.S. Treasury securities	\$106,298,351	\$ 48,652,859	\$ 48,528,516	\$ 9,116,976
U.S. government-sponsored securities	236,769,926	34,677,540	179,513,006	22,579,380
Guaranteed investment contract	102,051,192	102,051,192		
State Treasurer's investment pool	2,442,218	2,442,218		
Money market mutual funds consisting of U.S. government-sponsored securities	14,996,048	14,996,048		
	<u>\$462,557,735</u>	<u>\$202,819,857</u>	<u>\$228,041,522</u>	<u>\$ 31,696,356</u>

B. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. One of the ways that the City manages its credit risk is by purchasing investment securities that are rated "AAA." At June 30, 2009, the rating for each investment type was as follows:

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<u>Investment Type</u>	<u>Fair Value</u>	<u>Not Required to be Rated</u>	<u>AAA</u>	<u>Unrated</u>
U.S. Treasury securities	\$106,298,351	\$106,298,351		
U.S. government-sponsored securities	236,769,926		\$236,769,926	
Guaranteed investment contract	102,051,192		102,051,192	
State Treasurer's investment pool	2,442,218			\$2,442,218
Money market mutual funds consisting of U.S. government-sponsored securities	14,996,048		14,996,048	
	<u>\$462,557,735</u>	<u>\$106,298,351</u>	<u>\$353,817,166</u>	<u>\$2,442,218</u>

C. Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. Pursuant to NRS 356.005, local governments may deposit public money in any insured state or national bank, in any insured credit union or in any insured savings and loan association; however, State Statutes do not specifically require collateral for demand deposits. The City's demand deposits were covered at year end by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 for each financial institution with which the City has demand deposit accounts.

At June 30, 2009, the carrying amount of the City's cash deposits in financial institutions was \$1,188,573 and the institution's balance was \$5,808,392. The City participates in a collateral pool for public deposits program administered by the Nevada State Treasurer. The program serves as an alternative method to allow financial institutions and local government agencies within the State to participate in a pooled collateralization of their deposits in an efficient and cost effective manner. The program provides for centralized reporting, processing and management of all pledged collateral through the State Treasurer's Office. The State Treasurer requires that acceptable securities pledged as collateral be maintained at 102% of those entities' deposits participating in the pool and that the pledged securities be held by a third party for the benefit of the Nevada State Treasurer. As such, at year end the FDIC covered \$250,000 and the remaining \$5,558,392 was secured by the Nevada State Treasurer's pooled collateral program at 102%.

D. Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

At June 30, 2009, the City's individual investments in U.S. Treasuries, U.S. government-sponsored securities and federal agencies were held in the City's name either by the City's contracted custodial services provider or the counterparty to the transaction's trust department.

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IV. Receivables

Receivables as of June 30, 2009, including the applicable allowances for doubtful accounts, was as follows:

	General	Public Safety Tax	Capital Projects Street Improvements	Wastewater	Water	Nonmajor Governmental Funds	Totals
Receivables:							
Interest	\$ 3,152,798			\$ 420,366		\$ 211,665	\$ 3,784,829
Property taxes	607,335	\$ 379,558				262,703	1,249,596
Grants	127,461		\$ 8,768,016			6,911,035	15,806,512
Accounts	4,508,647			4,875,830	\$ 11,907,566	526,669	21,818,712
Special assessments						14,686,440	14,686,440
Due from other governments	10,619,489					2,289,494	12,908,983
Due from other funds	12,959,142						12,959,142
Gross receivables	31,974,872	379,558	8,768,016	5,296,196	11,907,566	24,888,006	83,214,214
Less: Allowance for doubtful accounts	(336,850)			(1,273,146)	(3,943,472)	(473,343)	(6,026,811)
Total receivables, net	<u>\$31,638,022</u>	<u>\$ 379,558</u>	<u>\$ 8,768,016</u>	<u>\$ 4,023,050</u>	<u>\$ 7,964,094</u>	<u>\$ 24,414,663</u>	<u>\$77,187,403</u>

V. Inventories

Inventories as of June 30, 2009, were as follows:

	Nonmajor Governmental Funds	Wastewater	Water	Nonmajor Proprietary Funds	Internal Service Funds	Total
Inventories:						
Supplies	\$ 22,479	\$ 18,839	\$622,839	\$ 5,884	\$279,952	\$ 949,993
Water stored for future use			1,858,723			1,858,723
Total inventories	<u>\$ 22,479</u>	<u>\$ 18,839</u>	<u>\$2,481,562</u>	<u>\$ 5,884</u>	<u>\$279,952</u>	<u>\$2,808,716</u>

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VI. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Increases⁽¹⁾</u>	<u>Decreases⁽²⁾</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 150,533,843	\$ 19,338,056	\$ 93,855	\$ 169,778,044
Construction in progress	73,408,500	49,933,721	51,909,655	71,432,567
Total capital assets not being depreciated	<u>223,942,343</u>	<u>69,271,777</u>	<u>52,003,510</u>	<u>241,210,611</u>
Capital assets, being depreciated				
Improvements other than buildings	58,228,959	18,471,269		76,700,228
Buildings and improvements	94,695,031	12,834,888		107,529,919
Equipment	67,478,724	3,527,001	750,683	70,255,042
Infrastructure	646,892,531	115,698,551		762,591,082
Total capital assets being depreciated	<u>867,295,245</u>	<u>150,531,707</u>	<u>750,683</u>	<u>1,017,076,271</u>
Less accumulated depreciation for:				
Improvements other than building buildings	12,776,228	2,446,048		15,222,275
Buildings and improvements	20,067,220	2,470,012		22,537,232
Equipment	36,902,839	7,579,750	567,382	43,915,203
Infrastructure	156,503,187	22,715,906		179,219,093
Total accumulated depreciation	<u>226,249,473</u>	<u>35,211,715</u>	<u>567,382</u>	<u>260,893,803</u>
Governmental activities capital assets, net	<u>\$ 864,988,115</u>	<u>\$ 184,591,769</u>	<u>\$ 52,186,808</u>	<u>\$ 997,393,079</u>

⁽¹⁾ Includes capital assets transferred from proprietary funds.

⁽²⁾ Includes capital assets transferred to proprietary funds and retired assets.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

	Beginning Balance	Increases ⁽¹⁾	Decreases ⁽²⁾	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 15,622,843	\$ 565,537	\$ 602,595	\$ 15,585,785
Construction in progress	12,386,380	45,786,928	1,867	58,171,440
Total capital assets not being depreciated	<u>28,009,223</u>	<u>46,352,465</u>	<u>604,463</u>	<u>73,757,225</u>
Capital assets, being depreciated				
Improvements other than buildings	3,164,963	4,346,897		7,511,860
Buildings and improvements	10,230,846	1,720,086	3,414,706	8,536,226
Equipment	6,574,272	346,315	189,884	6,730,705
Infrastructure	259,588,161	12,524,980		272,113,141
Total capital assets being depreciated	<u>279,558,242</u>	<u>18,938,278</u>	<u>3,604,589</u>	<u>294,891,932</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,439,635	1,154,526		2,594,160
Buildings and improvements	1,810,983	266,996		2,077,979
Equipment	3,385,053	667,006	189,884	3,862,177
Infrastructure	80,450,296	6,044,071		86,494,368
Total accumulated depreciation	<u>87,085,967</u>	<u>8,132,598</u>	<u>189,884</u>	<u>95,028,684</u>
Business-type activities capital assets, net	<u>\$ 220,481,498</u>	<u>\$ 57,158,144</u>	<u>\$ 4,019,168</u>	<u>\$ 273,620,473</u>

⁽¹⁾ Includes capital assets transferred from governmental funds.

⁽²⁾ Includes capital assets transferred to governmental funds and retired assets.

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

Governmental activities:

General government	\$ 25,697,293
Public safety	4,571,086
Judicial	208,876
Public works	2,540,294
Culture and recreation	874,054
Community support	67,590
Capital assets held by internal service funds are charged to functions based on their usage	<u>1,252,522</u>
Total depreciation expense - governmental activities	<u>\$ 35,211,715</u>

Business-type activities:

Water	\$ 5,191,704
Wastewater	2,769,490
Golf courses	103,110
Total depreciation expense - business-type activities	<u>\$ 8,132,598</u>

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

In addition, the City has active construction projects as of June 30, 2009. These projects include public safety projects associated with the City's police and fire facilities, as well as installation of traffic signals in developing areas; the design, acquisition, construction and improvements of and to various streets and roadways within the City limits; capital improvements associated with parks and recreation buildings and facilities; costs of acquisition, construction, equipping and furnishing new municipal facilities, including a civic center, multi-generational center and general government capital improvement projects. At June 30, 2009, the City's construction and other significant commitments were as follows:

<u>Project</u>	
Special Revenue Fund - Public Safety Tax	\$ 1,107,816
Capital Projects Funds - Street Improvements Projects	17,118,615
Capital Projects Funds - Civic Center Facilities	74,203,108
Capital Projects Funds - Various New Municipal Buildings Facilities	1,199,400
Capital Projects Funds - Parks and Recreation	6,745,684
Capital Projects Funds - Public Safety Projects	2,589,576
Water and Wastewater Utility Funds	16,214,137
Total	\$ 119,178,336

VII. Prior Period Adjustments

A. Restatement of Beginning Net Assets for Internal Service Fund

During the fiscal year ended June 30, 2008, the City had its first actuarial valuation study performed in conformance with GASB Statement No. 45, for which a liability was recorded. During fiscal year ended June 30, 2009, after a thorough review and much discussion with the actuary, it was discovered that a misinterpretation had occurred and the initial recorded liability to the City under GASB Statement No. 45 was overstated by \$4,447,726.

B. Restatement of Cash and Investments Enterprise Fund

At June 30, 2008, in the Statement of Cash Flows for the Proprietary Funds, the City reported the cash and investments balance of the wastewater enterprise fund in the amount of \$190,854,147 as cash and cash equivalents in the statement of cash flows. The beginning balance for July 1st has been restated as cash at \$60,597,849 and Investments of \$130,256,298.

VIII. Interfund Receivables, Payables and Transfers

A. Due To/From Other Funds

The outstanding balances between funds result mainly from the time lag between the dates (1) that inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The composition of amounts due to/from other funds reported in the fund financial statements at June 30, 2009, was as follows:

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Safety Support	\$ 77,608
	Community Development	1,152,817
	Special Ad Valorem Tax	290,439
	Capital Projects - Parks and Recreation	2,147,121
	Capital Projects - Public Safety	1,467,352
	Capital Projects - Street Improvements	6,377,664
	Fiduciary Fund - Workers' Compensation Retention	1,446,141
Total Due To/Due From Other Funds		<u>\$ 12,959,142</u>

B. Transfers

The City uses transfers to move revenues from the fund that State Statutes or the City's budget requires to collect them to the fund required to expend them and also to move restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are reported in the fund financial statements at June 30, 2009, as follows:

	<u>Transfers To</u>					<u>Total</u>
	<u>Capital Projects Street Improvements</u>	<u>Capital Projects Civic Center Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Fund</u>		
Transfers from:						
General			\$ 9,505,236	\$ 157,549		\$ 9,662,785
Public safety tax			1,394,600			1,394,600
Wastewater	\$13,261,836					13,261,836
Water	17,810,628					17,810,628
Nonmajor governmental funds	18,010,000	\$ 7,236,771	\$ 755,833	11,355,600		37,358,204
Internal service funds	345,000					345,000
Total transfers	<u>\$49,427,464</u>	<u>\$ 7,236,771</u>	<u>\$ 755,833</u>	<u>\$ 22,255,436</u>	<u>\$ 157,549</u>	<u>\$79,833,053</u>

IX. Long-Term Debt

A. Compliance

The City is required to comply with NRS governing debt limitation requirements and, in that regard, is within its legal debt limit at June 30, 2009. In addition, there are a number of limitations and restrictions contained in the various bond indentures with which the City's management believes the City was in compliance at June 30, 2009.

The federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the City. Under this Act, an amount may be required to be rebated to the United States Treasury (called "arbitrage") for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date and as of the most recent such date, the City's management believes that there is no rebatable arbitrage amount due. Future calculations might result in adjustments to this determination.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

B. Changes in Long-Term Liabilities

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the following totals for governmental activities. At year end, \$279,504 of internal service funds accrued compensated absences are included in the amounts listed in the following schedule.

C. Changes to Long-Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable:					
\$5,000,000 2000 Recreation Center Building bonds due in annual installments through March 2010; interest varies between 5% and 5.2%	\$1,220,000		\$ 595,000	\$ 625,000	\$ 625,000
\$2,500,000 2002 Judicial/Public Safety Facilities bonds due in annual installments through May 2018; interest varies between 3.7% and 4.9%	1,290,000		105,000	1,185,000	110,000
\$4,915,000 2002 Street Improvement refunding bonds due in annual installments through May 2014; interest varies between 3.7% and 4.5%	2,970,000		475,000	2,495,000	500,000
\$32,500,000 2003 Judicial/Public Safety Facilities bonds due in annual installments through March 2023; interest varies between 3% and 5%	21,040,000		1,325,000	19,715,000	1,380,000
\$7,465,000 2004 Jail Facility refunding bonds due in annual installments through April 2011; interest varies between 2.5% and 3.5%	3,360,000		1,090,000	2,270,000	1,120,000
\$5,000,000 2004 Library District medium-term bonds due in annual installments through June 2014; interest is at 4.5%	3,530,000		525,000	3,005,000	550,000

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$55,000,000 2006 Public Buildings Facilities medium-term bonds due in annual installments through March 2016; interest varies between 4% and 5%	45,560,000		4,935,000	40,625,000	5,130,000
\$105,000,000 2006 Civic Center Facilities bonds due in annual installments through May 2036; interest varies between 4.25% and 5%	105,000,000		555,000	104,445,000	825,000
\$7,630,000 2007A Judicial/Public Safety Facilities refunding bonds due in annual installments through May 2023; interest is at 4.15%	7,630,000			7,630,000	
\$1,530,000 2007B Street Improvement refunding bonds due in annual installments through June 2015; interest varies between 3.76% and 4.02%	1,530,000		190,000	1,340,000	198,000
	<u>193,130,000</u>		<u>9,795,000</u>	<u>183,335,000</u>	<u>\$10,438,000</u>
Special Assessment Bonds Payable:					
\$2,468,000 2002 SIAD No. 58 (Craig Road Phase I) improvement bonds due in annual installments through August 2011; interest varies between 4% and 4.5%	585,000		130,000	455,000	140,000
\$1,289,100 2003 SIAD No. 59 (Craig Road Phase II) improvement bonds due in semi-annual installments through December 2013; interest is at 4%	134,600		18,600	116,000	23,700
\$3,250,000 2007 SIAD No. 61 (Ann Road) improvement bonds due in semi-annual installments through March 2017; interest is at 3.829%	2,970,700		282,300	2,688,400	293,200
\$1,250,000 2007 SIAD No. 62 (Clayton Street) improvement bonds due in semi-annual installments through March 2017; interest is at 3.829%	1,142,600		108,600	1,034,000	112,800
\$12,680,000 2007 SIAD No. 63 (Lamb Blvd.) improvement bonds due in semi-annual installments through May, 2017; interest varies between 3.4 and 4 %.	12,680,000		1,040,000	11,640,000	1,090,000
	<u>17,512,900</u>		<u>1,579,500</u>	<u>15,933,400</u>	<u>1,659,700</u>
Deferred Amounts:					
Issuance discounts	(50,577)		(11,064)	(39,513)	(30,131)
Issuance premiums	4,337,837		249,464	4,088,373	3,838,909
	<u>4,287,260</u>		<u>238,400</u>	<u>4,048,860</u>	<u>3,808,779</u>
Compensated Absences Payable	22,759,874	\$ 4,404,968	2,748,216	24,416,626	5,140,573
Total governmental activities	<u>237,690,034</u>	<u>4,404,968</u>	<u>14,361,116</u>	<u>227,733,886</u>	<u>21,047,052</u>

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
General obligation bonds payable:					
\$15,000,000 1999 Water/Wastewater general obligation revenue bonds due in annual installments through August 2009; interest varies between 4.875% and 4.9%	1,345,000		655,000	690,000	690,000
\$704,000 2003A Water/Wastewater general obligation refunding revenue bonds due in annual installments through October 2012; interest is at 4.15%	572,000		4,000	568,000	5,000
\$8,685,000 2003B Water general obligation refunding revenue bonds due in annual installments through November 2015; interest varies between 3% and 5%	4,455,000		1,040,000	3,415,000	465,000
\$14,365,000 2005A Water/Wastewater general obligation refunding revenue bonds due in annual installments through December 2017; interest is at 5%	14,365,000		1,195,000	13,170,000	1,255,000
\$10,030,000 2005B Water/Wastewater general obligation refunding revenue bonds due in annual installments through August 2019; interest varies between 3.25% and 4%	10,030,000			10,030,000	
\$140,000,000 2006 General obligation Wastewater reclamation system bonds due in annual installments through October 2036; interest varies between 4% and 5%	140,000,000			140,000,000	2,550,000
\$5,713,000 2007 Water/Wastewater general obligation refunding revenue bonds due in annual installments through September 2014; interest is at 3.885%	5,672,000		455,000	5,217,000	1,092,000
	<u>176,439,000</u>		<u>3,349,000</u>	<u>173,090,000</u>	<u>6,057,000</u>
Deferred Amounts:					
Issuance discounts	(28,125)		26,702	(1,423)	(1,067)
Issuance premiums	4,499,356		(259,209)	4,240,147	3,980,938
Refunding costs	(453,886)		178,244	(275,642)	(213,761)
	<u>4,017,345</u>		<u>(54,263)</u>	<u>4,017,345</u>	<u>4,017,345</u>
Compensated Absences Payable	<u>1,173,867</u>	<u>331,608</u>	<u>90,133</u>	<u>1,415,343</u>	<u>258,285</u>
Total business-type activities	<u>181,630,212</u>	<u>331,608</u>	<u>3,493,396</u>	<u>178,522,688</u>	<u>10,332,630</u>
Total Long-term Debt	<u>\$419,320,246</u>	<u>\$ 4,736,576</u>	<u>\$17,854,512</u>	<u>\$406,256,574</u>	<u>\$27,570,903</u>

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

D. Annual Payment Requirements for Debt Service

The annual requirements to pay principal and interest on all bonds outstanding at June 30, 2009, was as follows:

Year Ending June 30	General Obligation Ad Valorem Debt		General Obligation Non-Ad Valorem Debt		Special Assessment Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities:								
2010	\$1,818,000	\$233,427	\$ 8,620,000	\$ 8,304,644	\$ 1,659,700	\$ 609,260	\$ 12,097,700	\$ 9,147,331
2011	1,877,000	171,783	8,600,000	7,927,434	1,740,800	536,989	12,217,800	8,636,206
2012	760,000	101,703	8,965,000	7,501,229	1,817,600	462,790	11,542,600	8,065,722
2013	798,000	69,947	9,325,000	7,136,256	1,715,600	391,311	11,838,600	7,597,514
2014	605,000	35,906	9,715,000	6,747,081	1,780,000	322,239	12,100,000	7,105,226
2015-19	247,000	9,929	30,675,000	28,346,234	7,219,700	559,205	38,141,700	28,915,368
2020-24			22,340,000	22,981,096			22,340,000	22,981,096
2025-29			27,440,000	17,109,150			27,440,000	17,109,150
2030-34			34,985,000	9,559,500			34,985,000	9,559,500
2035-39			16,565,000	1,252,500			16,565,000	1,252,500
	<u>6,105,000</u>	<u>622,695</u>	<u>177,230,000</u>	<u>116,865,124</u>	<u>15,933,400</u>	<u>2,881,794</u>	<u>199,268,400</u>	<u>120,369,613</u>
Business-Type Activities:								
2010			6,057,000	7,871,435			6,057,000	7,871,435
2011			6,445,000	7,587,690			6,445,000	7,587,690
2012			6,452,000	7,297,811			6,452,000	7,297,811
2013			6,745,000	7,009,056			6,745,000	7,009,056
2014			6,837,000	6,721,807			6,837,000	6,721,807
2015-19			30,394,000	29,030,495			30,394,000	29,030,495
2020-24			22,750,000	22,813,181			22,750,000	22,813,181
2025-29			27,310,000	16,768,506			27,310,000	16,768,506
2030-34			34,720,000	9,658,366			34,720,000	9,658,366
2035-39			25,380,000	1,751,175			25,380,000	1,751,175
			<u>173,090,000</u>	<u>116,509,522</u>			<u>173,090,000</u>	<u>116,509,522</u>
Total	<u>\$6,105,000</u>	<u>\$622,695</u>	<u>\$350,320,000</u>	<u>\$233,374,646</u>	<u>\$15,933,400</u>	<u>\$2,881,794</u>	<u>\$372,358,400</u>	<u>\$236,879,135</u>

E. Special Assessment Debt

During fiscal 1994 and 2006, the City issued \$2,961,790 and \$42,180,000, respectively, in special assessment local improvement bonds. The full faith and credit of the City is not pledged for the repayment of these bonds and they do not constitute a debt of the City; thus, the debt is not included in the City's financial statements. In the event of a delinquency in the payment of any assessment installment, the City will not have any obligation with respect to these bonds other than to apply reserve funds and to commence foreclosure proceedings with respect to the property being assessed.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

F. Defeased Debt

In December 1993, the City issued \$9,830,000 general obligation bonds. The proceeds were used to defease \$8,415,000 of 1991 Public Safety Building bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the 1991 Public Safety Building defeased bonds was \$2,340,000.

In May 2002, the City issued \$4,915,000 general obligation revenue bonds. The proceeds were used to defease \$1,695,000 of 1993 Street Bonds and \$2,845,000 of 1994 Street Bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the combined defeased bonds was \$2,765,000.

In September 2003, the City issued \$704,000 general obligation revenue bonds. The proceeds were used to defease \$785,000 of 1992 Water Bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the 1992 Water Bonds defeased bonds was \$560,000.

In May 2005, the City issued \$14,365,000 through the State of Nevada Municipal bond bank general obligation revenue bonds. The proceeds were used to defease \$5,435,000 of the 1997A and \$9,335,000 of the 1998A bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the 1997 and 1998 Water and Sewer defeased bonds was \$13,550,000.

In July 2005, the City issued \$10,030,000 in general obligation revenue bonds. The proceeds were used to defease \$9,390,000 of 1999 Water and Sewer Bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the 1997 Water and Sewer defeased bonds was \$9,390,000.

In February, 2007 the City issued \$5,713,000 in general obligation revenue bonds. The proceeds were used to defease \$5,595,000 of 1991A Water and Sewer Bonds. As of June 30, 2009, the outstanding portion of the 2007 defeased Water and Sewer Bonds was \$5,180,000.

In May 2007, the City issued \$7,630,000 in general obligations bonds. The proceeds were used to defease \$710,000 of the 2002 Judicial/Public Safety Bonds and to defease \$6,525,000 of the 2003 Judicial/Public Safety Bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the 1997 Judicial/Public Safety defeased bonds was \$7,235,000.

In May 2007, the City issued \$1,536,000 in general obligation bonds. The proceeds were used to defease \$1,465,000 of 1995 Street Bonds. The bonds were defeased to take advantage of lower interest rates in order to achieve a debt service savings. As of June 30, 2009, the outstanding portion of the 1998 Street defeased bonds was \$1,290,000.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

G. Compensated Absences

The liability for compensated absences is included on the government-wide statement of net assets. It will be liquidated through the employee benefits internal service fund, which is funded by assessing a flat percentage to each fund based on the fund's gross salaries. Current balances of accumulated vacation, holiday, compensatory and sick leave pay as of June 30, 2009, were as follows:

	Governmental Activities	Business-Type Activities	Total
Absence type:			
Annual leave	\$ 9,545,163	\$ 743,341	\$ 10,288,504
Holiday	3,624,305	155,699	3,780,003
Compensatory	4,664		4,664
Sick	11,242,494	516,303	11,758,797
Total compensated absences payable	<u>\$ 24,416,626</u>	<u>\$ 1,415,343</u>	<u>\$ 25,831,969</u>

The current and noncurrent balances for compensated absences payable as of June 30, 2009, were as follows:

	Governmental Activities	Business-Type Activities	Total
Compensated absences payable:			
Current portion	\$ 5,140,573	\$ 258,285	\$ 5,398,858
Noncurrent portion	19,276,053	1,157,058	20,433,111
	<u>\$ 24,416,626</u>	<u>\$ 1,415,343</u>	<u>\$ 25,831,969</u>

X. Defined Benefit Pension Plan

Eligible employees and elected officials of the City participate in the Nevada Public Employees' Retirement System (the "Plan"), a cost-sharing, multiple-employer, public employee retirement system. The Plan was established in 1949 by the State Legislature and is governed by the Public Employees Retirement Board, whose seven members are appointed by the Governor. The City does not exercise any control over the Plan and is not liable for any obligations thereof. Salaries and wages of \$140,651,945 for the year ended June 30, 2009, were subject to contributions to the Plan. Under State Statutes, eligible regular and safety (police and fire) employees of the City are covered under the Plan with the City contributing 20.5% and 33.5% of their salary, respectively, to the Plan for the year ended June 30, 2009.

Contribution rates are established by NRS, are tied to the increase in taxable sales within the State each year, and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of the Plan is reduced to zero. Contributions payable to the Plan are billed on the basis of salaries paid during the Plan fiscal year ending June 30, and are made in accordance with funding requirements determined by the actuary of the Plan. The contributions for salaries paid for the fiscal year ended June 30, 2009, were made in monthly installments for the

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

year commencing in August 2008. Contributions to the Plan made by the City over the past three years, which were equal to the required contributions, were as follows:

Year Ended June 30:	Contribution to the Plan
2007	\$ 27,179,443
2008	33,610,014
2009	36,260,095

All persons employed in positions considered to be one-half time or more participate in the Plan. Regular employees who retire at age 65, with at least five years of credited service, at age 60 with at least 10 years of credited service, or at any age with 30 years of credited service and police or fire employees who retire at age 65 with five years of service, at age 55 with 10 years of service, at age 50 with 20 years of service or at any age with 30 years of service, are entitled to a retirement benefit, payable monthly for life. The benefit is equal to 2.67% of their average salary for each year of credited service up to a maximum of 90% if hired before July 1, 1985, and up to a maximum of 75% if hired on or after that date. Average salary is the employee's average compensation for the 36 consecutive months of highest compensation; benefits fully vest upon reaching five years of service. Vested employees who have the necessary years of credited service, but have not reached the required age, may retire at any age with the benefit actuarially reduced by 4% of the unmodified benefit for each year the member is under the appropriate retirement age. The Plan also provides for death and disability benefits, which are established by State Statutes.

The liability as of June 30, 2009, including accrued salaries and expenses or expenditures, was as follows:

Governmental	Business-	
<u>Activities</u>	Type	<u>Total</u>
\$ 5,284,772	\$346,194	\$5,630,966

The liability as of June 30, 2009, includes the period from July 1, 2008, through June 30, 2009. The City records pension costs on the accrual basis for all funds. An annual report containing financial statements and required supplemental information for the State of Nevada Public Employees Retirement System (PERS) may be obtained by writing PERS, 693 West Nye Lane, Carson City, Nevada 89703-1599.

XI. Other Post-Employment Benefits

The City provides other post-employment benefits (OPEB) for all its non-Teamster employees through a cost-sharing, multiple-employer, defined benefit healthcare plan and participates in the Teamsters Security Fund for Southern Nevada, a cost-sharing multiple-employer defined benefit plan that covers the City's International Brotherhood of Teamsters employees.

A. Non-Teamster Employees

Plan Information – In accordance with State Statutes, retirees of the City may continue insurance coverage through existing plans, if enrolled as an active employee at the time of retirement. There

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

are three options offered by the City for eligible active non-Teamster employees and retirees. Active non-Teamster employees have access to Anthem Blue Cross Blue Shield (the City Plan), which is a fully insured health maintenance organization (HMO) plan. Prior to September 1, 2008, eligible non-Teamster retirees had the option to participate in the Nevada Public Employees Benefit Program (PEBP). In addition, the City also offers a Life Insurance Plan (Life Insurance) for both active and retiree non-Teamster employees

The City Plan and PEBP provide medical, dental and vision benefits to eligible active and retired employees and their beneficiaries. PEBP benefit provisions are established by the State Legislature. PEBP issues a publicly available financial report that includes financial statements and required supplementary information. This report can be obtained by writing PEBP, 901 South Stewart Street, Suite 1001, Carson City, Nevada 89701 and the Teamsters Plan report can be obtained by writing .

Funding Policy – Contribution requirements of plan members and the City under the City Plan and the Life Insurance are established and may be amended by the City Council.

The City currently pays 100% of the premiums for active employee coverage under the City Plan at an average cost of \$865 per employee per month for the fiscal year ended June 30, 2009. Retirees enrolled in the plan receive no direct subsidy from the City. Under State Statutes, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an other post-employment benefit (OPEB) cost for the City.

The City is required to pay PEBP an explicit subsidy, based on years of service, for retirees who are enrolled in this plan. In 2009, retirees were eligible for a \$79 per-month subsidy after five years of service with any Nevada state or local government agency(ies). The maximum subsidy of \$436 per month is earned after 20 years of combined service with any eligible agency(ies) and is set by State Legislation.

The annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not-to-exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress presented as Required Supplementary Information following the notes to financial statements, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions are as follows:

Actuarial Valuation Date	Actuarial Methods			Actuarial Assumptions		
	Actuarial Cost Method	Amortization Method	Remaining Amortization Period	Asset Valuation Method	Investment Rate of Return	Healthcare Inflation Rate(s)
June 30, 2008	Entry Age Normal	Level Dollar	29 Years	No Assets in Trust	4%	12% Initially 5% Ultimately

The City's actuarial valuation results of it's OPEB at June 30, 2009, are as follows:

	City Plan	PEBP	Life Insurance	Total
Annual Required Contribution (ARC)				
Normal cost	\$ 1,080,081		\$ 91,352	\$ 1,171,433
Amortization of UAAL	419,632	\$ 1,063,102	103,760	1,586,494
Interest on net OPEB Obligation	51,953	8,557	4,337	64,847
Subtotal	1,551,666	1,071,659	199,449	2,822,774
Contributions made	(200,885)	(849,170)	(86,691)	(1,136,746)
Increase in net OPEB obligation	\$ 1,350,781	\$ 222,489	\$ 112,758	\$ 1,686,028
Net OPEB obligation, July 1	\$ 1,298,828	\$ 213,932	\$ 108,421	\$ 1,621,181
Net OPEB obligation, June 30	\$ 2,649,609	\$ 436,421	\$ 221,179	\$ 3,307,209

	City Plan	PEBP	Life Insurance
Actuarial Accrued Liability (AAL)	\$10,981,545	\$27,820,834	\$2,715,338
Current actuarial value of assets			
Unfunded Actuarial Accrued Liability (UAAL)	\$10,981,545	\$27,820,834	\$2,715,338
Funded ratio (actuarial value of plan assets / AAL)	0.00%	0.00%	0.00%
Covered payroll	\$82,070,334	\$82,070,334	\$82,070,334
UAAL as percentage of covered payroll	13.38%	33.90%	3.31%

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

The City's annual OPEB cost, the percentage of annual cost contributed and the net OPEB obligation for 2009 and 2008 were as follows:

	Year Ended June 30,	Annual OPEB Cost	Percent of OPEB Cost Contributed	Net OPEB Obligation
City Plan	2009	\$ 1,499,713	13.39%	\$ 1,298,828
	2008	1,499,713	13.39%	1,298,828
PEBP	2009	1,063,102	79.88%	213,932
	2008	1,063,102	79.88%	213,932
Life Insurance	2009	195,112	44.43%	108,421
	2008	195,112	44.43%	108,421

The City utilizes the self-insurance reserve internal service fund (self-insurance reserve) to allocate OPEB costs. Each fund incurs a charge of service from the self-insurance reserve for its portion of the annual OPEB costs based on each fund's actual salary costs. As of June 30, 2009, the self-insurance reserve has \$27,406,017 in cash and investments held on behalf of the City. The City intends to use some of these assets for future OPEB funding. Because these assets are not held in an irrevocable trust, they are not considered plan assets at this time and as such, are not reflected in any OPEB funding schedules. However, pursuant to an actuarial valuation study, the City has recorded a liability in the self-insurance reserve as of June 30, 2009, in the amount of \$3,307,209. The City is required to have its actuarial valuation study updated every two years and will make funding decisions with regard to OPEB costs accordingly.

B. Teamster Employees

As noted above, the City participates in the Teamsters Security Fund for Southern Nevada (the Teamsters Plan), a cost-sharing, multiple-employer defined benefit plan that covers the City's International Brotherhood of Teamsters employees.

Plan Information – The plan available to active and retiree employees represented by the International Brotherhood of Teamsters is the Teamsters Plan, which is a preferred provider organization (PPO) and administered by Zenith Administrators, Inc. The Teamsters Plan is a welfare benefit plan that provides hospital, medical, prescription, dental, vision, life and accidental death and dismemberment insurance. Financial statements for the Teamsters Plan can be obtained by writing Zenith Administrators, Inc., 101 Convention Center Drive, Suite 600, Las Vegas, Nevada, 89109.

Funding Policy – The plan is financed by employer contributions pursuant to collective bargaining agreements, interest earned on the investment of reserve funds and through voluntary contributions of participants to retain eligibility. No contributing employer has liability, directly or indirectly, to provide the benefits established under the plan beyond the

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

obligation to make contributions as stipulated in the respective collective bargaining agreement. The Teamsters Plan clearly states that benefits are not guaranteed to always be available and that events may occur that force the trustees of the Teamsters Plan to change, reduce and/or eliminate the Teamster Plan altogether. The City contributes \$792 per month for each active Teamster employee and has no monetary obligation to the Teamsters Plan for retirees. The City's contributions to the Teamsters Plan for the years ended June 30, 2008 and 2009 were \$8,360,660, and \$9,367,147, respectively, which equaled the required contributions each year. The amount of covered payroll and number of Teamster employees at June 30, 2008, was \$71,365,730 and 993; the amount of covered payroll and number of Teamster employees at June 30, 2009, was \$74,987,259 and 1006.

XII. Risk Management

The City's operating activities are concentrated in the Las Vegas, Nevada metropolitan area; and therefore, realization of the City's receivables and its future operations could be affected by an adverse change in the economic conditions in the area.

The United States is experiencing a widespread recession accompanied by declines in residential real estate sales, mortgage lending and related construction activity, higher energy costs and other inflationary trends, and weakness in the commercial and investment banking systems, and is engaged in a war, all of which are likely to have far-reaching effects on the economic activity in the country for an indeterminate period. The near- and long-term impact of these factors on the southern Nevada economy and the City's operating activities cannot be predicted at this time but may be substantial.

In the ordinary course of its operations, claims are filed against the City. It is the opinion of management that these claims will not have any material adverse effect on the City's financial position, results of operation, or cash flows.

The City does not accrue of estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when services are rendered.

The City is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, state and local governments are required to report a liability for claims if information available prior to issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In addition, there are also situations in which incidents occur before the balance sheet date but claims are not reported or asserted when the financial statements are prepared. In these instances, claims have been estimated based upon the City's past experience adjusted for current trends. These claims are included accounts payable and accrued expenses in the government-wide financial statements.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Financial Statements (continued)
For the Year Ended June 30, 2009

The City maintains a self-insurance internal service funds for the following types of risk exposure:

Liability Insurance – The City maintains its self-insurance fund to cover all liability and property damage claims made or occurring prior to securing its excess liability policy. NRS 41.035 caps the City’s tort liability to \$50,000 per claim for causes of action, which occurred on or before September 30, 2007, to \$75,000 per claim for causes of action, which occurred on or after October 1, 2007, and to \$100,000 per claim for causes of action, which occur on or after October 1, 2011. These caps do not apply to civil rights claims against the City in either State or Federal courts.

Workers’ Compensation – The City maintains a self-insurance fund related to workers’ compensation claims. Self-insurance is in effect up to an individual stop-loss amount of \$1,500,000 per claim for public safety employees and \$750,000 per claim for all other employees. Coverage from private insurers is maintained for losses in excess of the claim stop loss amount up to \$1,000,000 per accident. Settlement claims have not exceeded the commercial coverage in any of the past four fiscal years.

Other Post-Employment Benefits – The City maintains a self-insurance fund for unemployment compensation, post-employment benefits other than pensions and employee separation leave benefit distributions. The City reimburses the State for the actual costs of unemployment claims on a quarterly basis. Earned but unused leave benefits are distributed to employees from this fund at separation.

Changes in the claims liability amounts for the past two years were as follows:

	<u>Liability</u> <u>July 1, 2008</u>	<u>Current Year</u> <u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>June 30, 2009</u>
Liability	\$ 2,053,595	\$ 2,165,113	\$1,061,694	\$ 3,157,014
Workers' compensation	2,283,869	1,970,710	1,681,369	2,573,210
Other post-employment benefits (OPEB)	6,069,000	(2,761,791)		3,307,209
Unemployment claims and leave payouts		4,214,821	4,214,821	
Total	<u>\$10,406,464</u>	<u>\$ 5,588,853</u>	<u>\$6,957,884</u>	<u>\$ 9,037,433</u>

	<u>Liability</u> <u>July 1, 2007</u>	<u>Current Year</u> <u>Claims and</u> <u>Changes in</u> <u>Estimates</u>	<u>Claim</u> <u>Payments</u>	<u>Liability</u> <u>June 30, 2008</u>
Liability	\$ 2,049,114	\$ 1,003,437	\$ 998,956	\$ 2,053,595
Workers' compensation	2,042,429	1,604,612	1,363,172	2,283,869
Other post-employment benefits (OPEB)		7,374,754	1,305,847	6,069,000
Unemployment claims and leave payouts		2,235,278	2,235,278	
Total	<u>\$ 4,091,543</u>	<u>\$ 12,218,081</u>	<u>\$ 5,903,253</u>	<u>\$ 10,406,464</u>

Required Supplementary Information

CITY OF NORTH LAS VEGAS, NEVADA
Required Supplementary Information
For the Year Ended June 30, 2009

Schedule of Funding Progress, Post-Employment Benefits Other Than Pensions

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
<u>City Plan</u>						
June 30, 2008		\$ 10,981,545	\$ 10,981,545	0%	\$ 82,070,334	13.4%
<u>PEBP⁽¹⁾</u>						
June 30, 2008		27,820,834	27,820,834	0%	82,070,334	33.9%
<u>Life Plan</u>						
June 30, 2008		2,715,338	2,715,338	0%	82,070,334	3.3%

⁽¹⁾ PEBP is a closed plan; and therefore, there are no current employees covered by the plan.

CITY OF NORTH LAS VEGAS, NEVADA
Notes to Required Supplementary Information
For the Year Ended June 30, 2009

I. Post-Employment Benefits Other Than Pensions

The June 30, 2008, actuarial valuation was the first valuation of the post-employment benefit plans. As additional actuarial valuations are obtained, this schedule will ultimately present information from the three most recent valuations.

For the year ended June 30, 2009, no significant events occurred that would have affected; and therefore, would have changed the benefit provision, size or composition of those covered by the other post-employment benefit plans, or the actuarial methods and assumptions used in the actuarial valuation report dated June 30, 2008.

The actuarial accrued liability and unfunded actuarial accrued liability involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The estimates are subject to continual revision.

Additional information related to post-employment benefits other than pensions can be found in Note XI to the City's financial statements.