

CITY OF WINNEMUCCA

JUNE 30, 2013

**CITY OF WINNEMUCCA
JUNE 30, 2013
TABLE OF CONTENTS**

	<u>PAGE NO.</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18-19
Notes to the Financial Statements	20-39
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Budgetary Basis	40
Reconciliation of the General Fund (Budgetary Basis) to the General Fund (GAAP Basis)	41
Schedule of Funding Progress	42
Notes to Required Supplementary Information:	43
Combining and Individual Fund Statements and Schedules:	
Governmental Funds:	
General Fund:	
Reconciliation of the General Fund (Budgetary Basis) to the General Fund (GAAP Basis), Balance Sheet	44
Balance Sheet	45
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund - Budgetary Basis	46-50
Internally Reported (Budgetary Basis) Funds Reported as Part of the General Fund for External Reporting Purposes:	
Combining Balance Sheet	51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	52

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies:

The financial statements of the City of Winnemucca, Nevada (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the more significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Reporting Entity:

The City of Winnemucca, Nevada is a municipal corporation governed by an elected mayor and a five member council. The City is fiscally independent of all other governmental entities and is therefore not a component unit of any other entity nor are there any component units which should be included in this report.

Government-Wide and Fund Financial Statements:

The basic financial statements include both government-wide (based upon the City as a whole) and fund financial statements. The reporting focus is on either the City as a whole or major individual funds and nonmajor funds in the aggregate (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type.

The government-wide financial statements (the Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the City of Winnemucca. 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 charges for support. The Statement of Activities demonstrates the degree to which the direct expenses of a function or business-type activity are offset by program revenues. Direct expenses are those that are 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 and 2) grants, contributions and interest income that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes 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. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses are the costs of providing those services, including depreciation. Non-operating revenues, such as subsidies and investment earnings, and non-operating expenses result from non-exchange transactions or ancillary activities.

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 financial 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 period. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, consolidated taxes (sales taxes, cigarette taxes, government services tax, liquor taxes), gaming taxes, gasoline taxes, 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. Licenses and permits, charges for services and fines and forfeits are not susceptible to accrual because generally they are not measurable until received in cash.

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 deferred revenue in the fund financial statements balance sheets. Deferred/unearned revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. 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/unearned revenue is removed from the balance sheet and revenue is recognized.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

The Debt Service Fund is used to account for the resources and expenditures for special assessments.

The Capital Improvement Fund is used to account for the resources and expenditures for major capital projects.

The City reports the following major enterprise funds:

The Water Fund accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operating, maintenance, and billing and collection.

The Sewer Fund accounts for the provision of sanitary sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

Budgets and Budgetary Accounting:

Budget Policies:

The City of Winnemucca adheres to the Local Government Budget Act incorporated within Nevada Revised Statutes, which includes the following major procedures to establish the budgetary data which is reflected in these financial statements.

1. On or before April 15, the Winnemucca City Council submits a tentative budget to the Nevada Department of Taxation for the next fiscal year, commencing on July 1.
2. Public hearings on the tentative budget are held on the third Tuesday in May.
3. Prior to June 1, at a public hearing, the Council indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Council. The final budget must then be forwarded to the Nevada Tax Commission for final hearings and approval.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds except the fiduciary funds, which do not require budgets. Appropriations lapse at the end of each fiscal year.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

6. Budget amounts within funds, and between funds, may be transferred if amounts do not exceed the original budget. Such transfers are to be approved by the budget officer and/or City Council, depending on established criteria. Budget augmentations in excess of original budgetary amounts may only be made with prior approval of the City Council. Additionally, for funds allocated ad valorem taxes, a scheduled and noticed public hearing must be held.

The budget amounts reflected in the financial statements have been amended from the original amounts in accordance with state statute.

In accordance with state statute, actual expenditures may not exceed budgetary appropriations of the various governmental functions (excluding the debt service function) of the General Fund, Capital Projects Funds and Special Revenue Funds except as specifically permitted by NRS 354.626. In Enterprise Funds, the sum of operating and nonoperating expenses may not exceed total appropriations.

Cash and Investments:

Cash balances from all funds are combined and, to the extent practicable, invested as permitted by law. Investments are recorded at fair value based on quoted market prices. The City invests in the State of Nevada Local Government Pooled Investment Fund, which has regulatory oversight from the Board of Finance for the State of Nevada.

The fair value of the City's position in the pool is the same as the value of the pool shares. Interest earned on pooled cash is allocated to participating funds based upon their combined cash and investment balances.

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

- United States bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Bills and notes of the United States Treasury, maturing within ten (10) years from the date of purchase.
- Obligations of an agency of the United States or a corporation sponsored by the government, maturing within ten (10) years from the date of purchase.
- Obligations of state and local governments if:
 - (1) the interest is exempt for federal income tax purposes; and
 - (2) the obligation has been rated "A" or higher by a nationally recognized bond credit rating agency.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

- Negotiable certificates of deposit from commercial banks and insured savings and loan associations.
- State of Nevada Local Government Pooled Investment Fund.
- Certain securities issued by local governments of the State of Nevada.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain bankers' acceptances.
- Certain short term paper issued by US corporations.
- Certain "AAA" rated mutual funds that invest in federal securities.

Cash Equivalents:

The City considers short term, highly liquid investments that are both readily convertible to cash and have an original maturity date of three months or less to be cash and cash equivalents.

Accounts Receivable:

Management does not anticipate any material collection losses with respect to the accounts receivable balances.

Taxes Receivable, Delinquent:

Secured roll property taxes receivable reflect only those taxes receivable from the delinquent roll years. Delinquent taxes from all roll years prior to 2011-2012 have been written off. No provision for uncollectible accounts has been established since management does not anticipate any material collection loss in respect to the remaining balances.

Inventories:

Inventories for the proprietary funds are valued at the lower of cost or market on a first-in, first-out basis.

For all other funds, the City of Winnemucca charges consumable supplies against appropriations at the time of purchase. Any inventories of such supplies at June 30 are not material to the individual funds and are not recognized as assets in these financial statements.

Capital Assets:

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as those assets with an initial cost of \$5,000 or more and an estimated useful life of more than one year. All purchased capital assets are valued at cost or estimated historical costs. Donated assets are recorded at their estimated fair market value on the

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

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

Capital assets are recorded at cost including capitalized interest incurred during the construction phase on debt-financed projects for business-type activities. Depreciation is computed using the straight-line method for all assets over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	10 years
Machinery and equipment	5 to 15 years

GASB Statement No. 34 required the City to report and depreciate new infrastructure assets effective at the beginning of fiscal year 2004. Neither the historical cost nor related depreciation had historically been reported in the financial statements prior to that time.

Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave costs when earned by the employee. Compensated absences are reported in the governmental fund balance sheets only when owed to an employee who terminated by June 30 but is not paid those benefits until after year end. In proprietary funds, compensated absences are recorded when the liabilities are incurred. The government-wide Statement of Net Position reports accrued compensated absences in the same way as described for proprietary funds.

Fund Equity:

In government-wide and proprietary fund statements, equity is classified as net position and is displayed in three components:

1. Net investment in capital assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – consists in the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

Beginning with fiscal year 2011, the County implemented GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength the spending constraints places on the purposes for which resources can be used:

1. Nonspendable fund balance – amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or are legally required to be maintained intact (such as notes receivable or principal of a permanent fund).
2. Restricted fund balance – amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulations of other governments.
3. Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the Council removes or changes the constraint using the same action that was used to create the commitment.
4. Assigned fund balance – amounts the City intends to use for a specific purpose as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the General Fund.
5. Unassigned fund balance – represents the residual classification for the General Fund or deficit balances in other funds.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. The City Clerk has been delegated the authority to assign ending fund balance and to report any assigned funds to the City Council at the next regularly scheduled City Council meeting.

Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), it is the City's policy to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to committed, assigned, and then unassigned fund balances.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 - Summary of Significant Accounting Policies (Continued):

Interfund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Property Taxes:

Humboldt County, Nevada, bills and collects property taxes for the City of Winnemucca. All real property in Humboldt County is assigned a parcel number in accordance with state law, with each parcel being subject to physical reappraisal every five years. A factoring system is used to adjust the appraised value during the years between physical appraisals. The assessed valuation of the property and its improvements is being assessed at 35% of "taxable value" as defined by statute. The amount of tax levied is developed by multiplying the assessed value by the tax rate applicable to the area in which the property is located. In 2005, the Nevada State Legislature passed Assembly Bill 489 which provides for a partial abatement of the ad valorem taxes levied on a qualified property. The abatement will limit the increase of a taxpayer's bill to 3% over the previous year's tax amount for a primary residence and some rental properties. All other property will have a higher limit of 6.9%.

Taxes on real property are a lien on the property and attach on July 1 of the year for which the taxes are levied.

Taxes may be paid in four installments payable the third Monday in August and the first Monday in October, January and March. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. After a two year waiting period, if the taxes remain unpaid, a tax deed is issued conveying the property to the County with a lien for back taxes and accumulated charges. Redemption may be made by the owner and such persons as described by statute by paying all back taxes and accumulated penalties, interest and costs before sale.

Taxes on personal property are collected currently. Personal property declarations are mailed out annually and the tax is computed using percentages of taxable values established by the Department of Taxation and tax rates described above.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 - Compliance with Nevada Statutes and Administrative Code:

The City conformed to all significant statutory constraints on its financial administration during the year except as follows:

- In the Culture and Recreation function of the General Fund, actual expenditures exceeded the budgeted appropriations, which is an apparent violation of NRS 354.626.
- In the Public Works function of the General Fund, actual expenditures exceeded budgeted appropriations, which is an apparent violation of NRS 354.626
- In the Sewer Fund, the sum of the operating and non-operating expenses exceeded the budgeted appropriations, which is an apparent violation of NRS 354.626.
- In the Water Fund, the sum of the operating and non-operating expenses exceeded the budgeted appropriations, which is an apparent violation of NRS 354.626.

The City plans to monitor expenditures/expenses in 2013-14 to help prevent potential violations.

NOTE 3 - Cash and Investments:

As of June 30, 2013 the city had the following cash and investments:

Investment Type	Maturities (maturity, in years)				
	Fair Value	Less than 1	1 to 3	3 to 5	Greater than 5
U.S. Treasury Notes	\$ 595,937	\$ 595,937	\$ -	\$ -	\$ -
Government Agencies	11,098,242	1,613,507	4,599,225	2,300,949	2,584,561
Corporate Bonds	9,929,120	709,390	3,830,661	2,888,952	2,500,117
MM Mutual Fund	795,155	795,155	-	-	-
State of Nevada Local Gov't Investment Pool	175,552	175,552	-	-	-
Total Investments	22,594,006	3,889,541	8,429,886	5,189,901	5,084,678
Total Cash (Carrying Value)	6,697,343	6,697,343	-	-	-
Total Cash and Investments	<u>\$ 29,291,349</u>	<u>\$ 10,586,884</u>	<u>\$ 8,429,886</u>	<u>\$ 5,189,901</u>	<u>\$ 5,084,678</u>

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 3 - Cash and Investments (Continued):

Investment Type	Quality Rating by Standard and Poor's				
	Fair Value	AAA	AA	A	Unrated
U.S. Treasury Notes	\$ 595,937	\$ 595,937	\$ -	\$ -	\$ -
Government Agencies	11,098,242	545,902	3,705,051	-	6,847,289
Corporate Bonds	9,929,120	5,441,716	1,012,119	3,370,276	105,009
MM Mutual Fund	795,155	795,155	-	-	-
State of Nevada Local Gov't Investment Pool	175,552	-	-	-	175,552
Total Investments	22,594,006	\$ 7,378,710	\$ 4,717,170	\$ 3,370,276	\$ 6,952,300
Total Cash (Carrying Value)	6,697,343				
Total Cash and Investments	\$ 29,291,349				

The City is a voluntary participant in the State of Nevada Local Government Investment Pool (LGIP), which has regulatory oversight from the Board of Finance of the State of Nevada. The City's investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. The City's investment in the LGIP is reported at fair value. Wells Fargo determines the fair value of the investments in NVEST on a monthly basis.

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada local governments. The City has not adopted a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

Interest Rate Risk - Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. As noted above, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in the statute.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. The LGIP is an unrated external investment pool and as noted above, the City does not have a formal investment policy that specifies minimum acceptable credit ratings beyond what is specified in the statutes.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's bank deposits are covered by FDIC insurance and collateralized by the Office of the State Treasurer/ Nevada Collateral Pool.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2013, 29.27%, 7.13% and 5.65% of the City's total investments were in the Federal National Mortgage Association, Fannie Mae and Freddie Mac, respectively.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - Interfund Balances:

Interfund receivable and payable balances at June 30, 2013, by fund are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major Funds		
General Fund	\$ 15,611	\$ 53,660
Sewer Fund	13,842	7,230
Water Fund	40,304	8,867
Total	<u>\$ 69,757</u>	<u>\$ 69,757</u>

Interfund transfers for the year ended June 30, 2013 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds		
General Fund	\$ -	\$ 2,500,000
Water Fund	-	100,000
Capital Improvement Fund	2,100,000	-
Nonmajor Funds		
Retiree Insurance Fund	500,000	-
Total	<u>\$ 2,600,000</u>	<u>\$ 2,600,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Interfund balances outstanding at June 30, 2013 in the General, Sewer and Water Funds represent amounts owed by the General Fund to the Water and Sewer Funds for services provided and amounts owed to the General Fund by the Water and Sewer Funds for expenses paid out by the General Fund that are to be reimbursed by the Water and Sewer Funds.

NOTE 5 - Assessment Receivable:

During the year ended June 30, 2006, the City of Winnemucca completed improvements on a special assessment district. The total cost of the project was \$2,267,740. This amount was charged back to the land owners in the form of notes receivable from the land owners. The balance remaining on the notes receivable as of June 30, 2013 was \$181,322.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 - Capital Assets

Capital activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,296,041	\$ 24,355	\$ -	\$ 1,320,396
Construction in progress	1,259,337	146,525	920,381	485,481
Total capital assets, not being depreciated	<u>2,555,378</u>	<u>170,880</u>	<u>920,381</u>	<u>1,805,877</u>
Capital assets being depreciated:				
Buildings and improvements	7,802,047	156,000	-	7,958,047
Improvements other than buildings	8,723,758	2,044,938	-	10,768,696
Machinery and equipment	2,479,368	156,040	-	2,635,408
Total capital assets being depreciated	<u>19,005,173</u>	<u>2,356,978</u>	<u>-</u>	<u>21,362,151</u>
Less accumulated depreciation for:				
Buildings and improvements	4,242,217	139,499	-	4,381,716
Improvements other than buildings	2,056,074	445,923	-	2,501,997
Machinery and equipment	1,505,899	168,452	-	1,674,351
Total accumulated depreciation	<u>7,804,190</u>	<u>753,874</u>	<u>-</u>	<u>8,558,064</u>
Governmental activities capital assets, net	<u>\$ 13,756,361</u>	<u>\$ 1,773,984</u>	<u>\$ 920,381</u>	<u>\$ 14,609,964</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 228,706	\$ -	\$ -	\$ 228,706
Construction in progress	-	9,256	-	9,256
Total capital assets, not being depreciated	<u>228,706</u>	<u>9,256</u>	<u>-</u>	<u>237,962</u>
Capital assets being depreciated:				
Buildings and improvements	183,354	6,326	-	189,680
Improvements other than buildings	3,760,029	820,235	-	4,580,264
Machinery and equipment	15,070,064	36,841	-	15,106,905
Total capital assets being depreciated	<u>19,013,447</u>	<u>863,402</u>	<u>-</u>	<u>19,876,849</u>
Less accumulated depreciation for:				
Buildings and improvements	47,265	4,885	-	52,150
Improvements other than buildings	390,848	98,770	-	489,618
Machinery and equipment	8,876,149	460,940	-	9,337,089
Total accumulated depreciation	<u>9,314,262</u>	<u>564,595</u>	<u>-</u>	<u>9,878,857</u>
Business-type activities capital assets, net	<u>\$ 9,927,891</u>	<u>\$ 308,063</u>	<u>\$ -</u>	<u>\$ 10,235,954</u>

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 - Capital Assets (Continued):

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

Governmental Activities	
General government	\$ 19,912
Public safety	107,797
Public works	438,346
Culture and recreation	<u>187,819</u>
Total depreciation expense – governmental activities	<u>\$ 753,874</u>
Business-Type Activities	
Sewer Fund	\$ 219,033
Water Fund	<u>345,562</u>
Total depreciation expense – business-type activities	<u>\$ 564,595</u>

NOTE 7 - Long-Term Obligations:

The lawful City general obligation bonded debt limit at June 30, 2013, was \$52,806,587. In addition, other indebtedness excepting the bond indebtedness, was not to exceed \$35,204,391 (NRS 266.600). The City was within these legal limits as shown below.

NOTE 8 - Changes in General Long-Term Debt:

Governmental Activities:

	Balance June 30, 2012	Additions	Used/ Payments	Balance June 30, 2013	Due Within One Year
Accrued vacation, compensatory and sick pay	\$ 223,033	\$ 206,772	\$ 192,978	\$ 236,827	\$ 195,074
Special assessment debt with governmental commitment	694,737	-	173,684	521,053	173,684
	<u>\$ 917,770</u>	<u>\$ 206,772</u>	<u>\$ 366,662</u>	<u>\$ 757,880</u>	<u>\$ 368,758</u>

The City issued special assessment bonds in November 2006 to provide cash flow while collecting special assessment receivables, for which the City is obligated to the extent that there are insufficient funds in the Debt Service Fund to pay these bonds and the interest thereon. The bond is payable in semi-annual principal installments of \$86,842 plus interest which is set at a rate of 4.7%. The bond matures in May of 2016.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - Changes in General Long-Term Debt (Continued):

Business-type Activities

	Balance June 30, 2012	Additions	Used/ Payments	Balance June 30, 2013	Due Within One Year
Accrued vacation, compensatory and sick pay	\$ 33,098	\$ 17,275	\$ 20,994	\$ 29,379	\$ 26,772
Water revenue bond debt with governmental commitment	1,332,444	-	71,896	1,260,548	74,018
	<u>\$1,365,542</u>	<u>\$ 17,275</u>	<u>\$ 92,890</u>	<u>\$1,289,927</u>	<u>\$ 100,790</u>

A Series 2007 Water Revenue Bond was authorized in May of 2007 in the maximum aggregate principal sum of \$1,600,000 for making improvements to the City water system by providing financial assistance for the North-Side Water Project. As of June of 2008, the City of Winnemucca had drawn the entire \$1,600,000. The interest rate is 2.93%. Payments are due on a semi-annual basis in the amount of \$55,207 each and will be paid over a 20-year period from the date of the first draw. The bond matures in January of 2027.

The special assessment bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2014	\$ 173,684	\$ 22,449	\$ 196,133
2015	173,684	14,286	187,970
2016	173,685	6,121	179,806
Total Governmental Activities Debt Service	<u>\$ 521,053</u>	<u>\$ 42,856</u>	<u>\$ 563,909</u>

The revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2014	\$ 74,018	\$ 36,396	\$ 110,414
2015	76,203	34,211	110,414
2016	78,452	31,962	110,414
2017	80,767	29,647	110,414
2018	83,151	28,463	110,414
2019-2023	454,050	96,820	552,070
2024-2027	413,907	27,749	441,656
Total Business-type Debt Service	<u>\$ 1,260,548</u>	<u>\$ 285,248</u>	<u>\$ 1,545,796</u>

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 - Changes in General Long-Term Debt (Continued):

Compensated absences typically have been liquidated by the General Fund and enterprise funds. Governmental activities debt is liquidated by the Debt Service Fund. Business-type activities debt is liquidated by the Water Fund.

NOTE 9 - Unearned Revenue:

Unearned revenue as of June 30, 2013, consists of the following:

<u>Federal Grant Revenues:</u>	
General Fund	\$ 15,005

NOTE 10 - Defined Benefit Pension Plan:

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

Funding Policy. Plan members' benefits are funded under the employer pay contribution plan, in which the City is required to contribute all amounts due under the plan. The contribution requirements of plan members and the City are established by Chapter 286 of the Nevada Revised Statutes. Funding provisions may only be amended through legislation. The City's contribution rates and amounts contributed (which was 100% of the required contribution) for the last three years are as follows:

Fiscal Year	Contribution Rate			Total Contribution
	Regular Member	Police	Fire	
2012-13	23.75%	39.75%	24.50%	\$ 963,932
2011-12	23.75%	39.75%	24.50%	839,831
2010-11	21.50%	37.00%	37.00%	734,750

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11 - Risk Management:

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries of employees; and natural disasters, as are all entities.

The City has joined together with similar public agencies (cities, counties and special districts) throughout the State of Nevada to create a pool under the Nevada Inter-local Cooperation Act. The Nevada Public Agency Insurance Pool (Pool) is a public entity risk pool currently operating as a common risk management and insurance program for its members.

The City pays an annual premium and specific deductibles, as necessary, to the Pool for its general insurance coverage. The Pool is considered a self-sustaining risk pool that will provide liability coverage for its members for up to \$10,000,000 per event and a \$10,000,000 general aggregate per member. Property, crime and equipment breakdown coverage is provided to its members up to \$300,000,000 per loss with various sublimits established for earthquake, flood, equipment breakdown, and money and securities.

The City continues to carry commercial insurance for other risks of loss, including specific risks of loss not covered by the Pool (airport liability, bonding, and boiler coverage) and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The City has also joined together with similar public agencies effective December 16, 1997, to create a pool under the Nevada Interlocal Cooperation Act. The Public Agency Compensation Trust (PACT) is an intergovernmental self-insured association for workers compensation insurance.

The City pays premiums based on payroll costs to the PACT. The PACT is considered a self-sustaining pool that will provide coverage based on established statutory limits.

NOTE 12 - Commitments:

As of June 30, 2013 the City had the following construction commitments outstanding

<u>Project Description</u>	<u>Commitment Authorization</u>	<u>Project Expended/Retainage</u>	<u>Balance at June 30, 2013</u>
Great Basin Drive Development	\$ 1,368,002	\$ -	\$ 1,368,002

NOTE 13 - Postemployment Benefits Other Than Pensions:

Plan Description:

The City administers a single-employer defined benefit healthcare plan, the City of Winnemucca Health Insurance Plan (CWHIP). Additionally, the City contributes to an agent multi-employer defined benefit postemployment healthcare plan, Public Employees' Benefit Plan (PEBP). Each plan provides medical, vision, dental, and life insurance benefits to eligible retired City retirees and their beneficiaries.

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 - Postemployment Benefits Other Than Pensions (Continued):

Benefit provisions for the CWHIP are established pursuant to Nevada Revised Statute (NRS) 287.023 and amended through negotiations between the City and the respective associations. NRS 288.150 assigns authority to establish benefit provisions to the City of Winnemucca Council. The plan provides healthcare insurance for eligible retirees and their beneficiaries through the City's group health insurance plan, which covers both active and retired members. Under NRS 287.023, eligible retirees are able to participate in the plan with blended rates, thereby benefiting from an implicit subsidy. Retirees are required to pay 100% of their premiums under the plan. Eligible retirees are participants in the Nevada Public Employee Retirement System (PERS) and retired from the City at the time of their election to participate. As of June 30, 2013, 2 retirees were using this plan. The CWHIP does not issue a publicly available financial report.

Benefit provisions for the PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees. City employees who met the eligibility requirements effective September 1, 2008 for retirement within Public Employee Retirement System had the option upon retirement to enroll in coverage under the PEBP. NRS 287.023 sunsetted the option to join PEBP for City employees who retired after November 29, 2008. Local governments are required to pay the same portion of cost of coverage for their retirees joining PEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the plan. As of June 30, 2013, 18 City retirees were utilizing this benefit. The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee's Benefits Program, 901 S. Stewart Street, Suite 1001, Carson City, NV, 89701, by calling (775) 684-7000, or by accessing the website at www.pebp.state.nv.us/informed/financial.htm.

Funding Policy:

For the CWHIP, contribution requirements of the plan members and the City are established and may be amended through negotiations between the City and the associations. Retirees pay 100% of the pay-as-you-go premiums based on a blended rate that blends active participants and retirees. The City's contribution requirements for retirees relate to the implicit subsidy that results from using the blended rates and is determined in actuarial studies contracted for by the City. The implicit subsidy as determined by the actuary is \$15,829.

For the PEBP plan, NRS 287.046 establishes the subsidies to be contributed toward the premium costs of the eligible retired City employees. Plan members receiving benefits have their monthly contribution deducted from their pension checks based on the health plan chosen by the retiree as reduced by the amount of the subsidy, therefore, their contributions are not available. For the plan year ended June 30, 2013, retirees qualify for a subsidy of \$118 at five years of service and \$650 at 20 years of service with incremental increases for years of service between. Subsidy rates for retirees covered under the Medicare Exchange were \$50 at five years of service and \$200 at 20 years of service with incremental increases for each year of service between. The contribution requirements of plan members and the City are established and amended by the PEBP board of trustees. As a participating employer, the City is billed for the subsidy on a monthly basis and is legally required under NRS 287.023 to provide for it. For fiscal year 2013, the City contributed \$61,879 to the plan for current premiums. The City did not prefund any future benefits.

CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 - Postemployment Benefits Other Than Pensions (Continued):

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal years 2011 through 2013 were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
CWHIP	6/30/13	\$ 117,318	\$ 15,829	13.49%	\$ 298,477
CWHIP	6/30/12	\$ 108,956	\$ 12,717	11.67%	\$ 196,988
CWHIP	6/30/11	\$ 50,362	\$ 384	0.76%	\$ 100,749
PEBP	6/30/13	\$ 57,450	\$ 61,879	107.71%	\$ 56,852
PEBP	6/30/12	\$ 57,867	\$ 62,473	107.96%	\$ 61,281
PEBP	6/30/11	\$ 87,183	\$ 56,480	64.78%	\$ 65,887
Combined Totals	6/30/13	\$ 174,768	\$ 77,708		\$ 355,329
Combined Totals	6/30/12	\$ 166,823	\$ 75,190		\$ 258,269
Combined Totals	6/30/11	\$ 137,545	\$ 56,864		\$ 166,636

The net OPEB obligation (NOPEBO) as of June 30, 2013, was calculated as follows:

	CWHIP	PEBP	Total
Annual required contribution (ARC)	\$ 117,643	\$ 58,751	\$ 176,394
Interest on beginning net OPEB obligation	7,880	2,452	10,332
ARC adjustment	(8,205)	(3,753)	(11,958)
Annual OPEB cost	117,318	57,450	174,768
Contributions made	(15,829)	(61,879)	(77,708)
Increase (decrease) in net OPEB obligation	101,489	(4,429)	97,060
Net OPEB obligation (asset), beginning of year	196,988	61,281	258,269
Net OPEB obligation (asset), end of year	<u>\$ 298,477</u>	<u>\$ 56,852</u>	<u>\$ 355,329</u>

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 - Postemployment Benefits Other Than Pensions (Continued):

Funded Status and Funding Progress:

The funded status of the plans as of June 30, 2013, was as follows:

	CWHIP	PEBP	Total
Accrued actuarial liability (a)	\$ 910,098	\$ 978,647	\$ 1,888,745
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability (a-b)	\$ 910,098	\$ 978,647	\$ 1,888,745
Funded ratio (b) / (a)	0.00%	0.00%	0.00%
Covered payroll (c)	\$ 2,310,383	N/A	
Unfunded actuarial accrued liability as a A percentage of covered payroll ((a) – (b)) / (c)	39.39%	N/A	

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events for into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are displayed on the next page:

**CITY OF WINNEMUCCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 13 - Postemployment Benefits Other Than Pensions (Continued):

	CWHIP	PEBP
Actuarial valuation date	01/01/11	01/01/11
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level % of Pay	Level Dollar
Amortization period (open and closed)	30 years	27 years
Asset valuation method	Market value	Market value
<u>Actuarial Assumptions:</u>		
Investment rate of return	4.00%	4.00%
Projected salary increases	4.00%	4.00%
Health care inflation rate*	7.00%	7.00%
*Decreasing 1.0% each year until ultimate trend rate of 5.0% is reached		