

CITY OF YERINGTON, NEVADA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

CITY OF YERINGTON, NEVADA

CITY OFFICIALS

City Council Members	- George Dini, Mayor
	- Rita Evasovic
	- Richard Faber
	- James Sanford
	- Selena Catalano
City Manager	- Dan Newell

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A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Yerington, Nevada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Yerington, Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Yerington's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Yerington, Nevada, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Municipal Administrative Assessment Fund, and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Schedule of OPEB funding status and the Schedule of the City's Proportionate Share of the Net Pension Liability on pages 4-11 and 61-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, and each major fund in our report dated December 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Yerington, Nevada's basic financial statements. The individual fund financial statements, and supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements referred to in the preceding paragraph are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements referred to above are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2017, on our consideration of the City of Yerington, Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Yerington, Nevada's internal control over financial reporting and compliance.



Yerington, Nevada
October 21, 2017

**CITY OF YERINGTON, NEVADA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

As financial management of the City of Yerington (the "City"), we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the City for fiscal year ended June 30, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the City's financial activities, identify any significant changes in financial position, and to identify individual issues and concerns. We encourage readers to consider the information presented herein, in conjunction with the financial statements and notes to gain a more complete picture of the information presented.

Financial Highlights

- The City's governmental net position decreased \$167,555 to \$4,498,770 from \$4,666,325 in 2016. The City's governmental net investment in capital assets is \$4,256,815 in 2017 compared to \$4,296,510 in 2016.
- The City's business-type activity net position increased by \$1,171,090 to \$31,702,193 from \$30,531,103 in 2016. The City's business-type activity net investment in capital assets is \$25,196,128 in 2017 compared to \$25,526,613 in 2016.
- The business-type activities recognized capital contributions totaled \$1,432,735 in 2017 compared to \$6,954,383 in 2016. This increase in capital contribution is largely attributable to recognizing \$1,276,197 from the ARCO Sunset Hills water system project.
- The City's total revenues were \$6,221,900 consisting of \$1,775,473 in governmental activities and \$4,446,427 in business-type activities. Business-type activities revenues of \$4,446,427 included grants and contributions totaling \$2,465,948. Grants and contributions account for 55.5% of total revenue sources.
- The City's total expenses were \$5,218,365 consisting of \$1,943,028 in governmental activities and \$3,275,337 in business-type expenses.
- The City's primary revenue sources (besides grants and contributions) are charges for services of \$2,188,500 and consolidated taxes of \$427,786. These two revenue sources comprise 35.1% and 3.5%, respectively, of total revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements, which are comprised of the basic financial statements and the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide Financial Statements

Government-wide financial statements are designed to provide an overview of the City's financial position by governmental and business-type activities, as well as the government as a whole. The Statement of Net Position combines and consolidates all of the City's current financial resources with capital assets, deferred outflows of resources, long-term obligations, and deferred inflows of resources, distinguishing between governmental and business-type activities. The end result is net position which is segregated into three components: net investment in capital assets; restricted and unrestricted position.

The Statement of Activities is focused on both the gross and net cost of governmental and business-type activities. Program revenue which directly offsets costs of specific functions is allocated to those functions, resulting in net expenses for governmental and business-type activities. The City's general revenues offset remaining costs resulting in the annual increase or decrease in net position. This statement is intended to summarize the user's analysis of the net cost of various governmental services that are supported by general revenues.

Governmental activities reflect the City's basic services on a functional basis. Departments included within those functions are identified in the fund financial statements. Ad valorem taxes, consolidated taxes, and other identified general revenues support the majority of these services. Business-type activities reflect enterprise operations where a fee for service typically funds all or most of the cost of operations, including depreciation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. Fund financial statements provide detailed information about the City's major funds. Based on restrictions placed on the use of monies, the City has established many funds that account for the multitude of services provided to our residents.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities on the governmental-wide financial statements. The City's major governmental funds are the General, Municipal Court Administrative Assessment, Special Revenue, and Fixed Asset Acquisition. Most of the City's basic services are reported in these funds that focus on how money flows into and out of the funds and the year-end balances available for spending. These funds are reported on the modified accrual basis of accounting that measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided, along with the financial resources available.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds

with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately on the governmental fund balance sheet and on the governmental fund statement of revenues, expenditures, and changes in fund balance for the major funds, which were identified earlier.

Proprietary Funds – The City maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements. The City uses enterprise funds to account for water and sewer operations provided to citizens within the City and nearby service areas. The City's major proprietary funds are: Water Utility Fund, Sewer Utility Fund, and Crystal Clear Water Utility Fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this financial statement also presents individual fund statements and schedules.

The City adopts an annual budget for all of its governmental and business-type individual funds. Budgetary comparison schedules have been provided for the General Fund and each major special revenue fund to demonstrate compliance with the budget and are presented as required supplementary information.

Financial Analysis of the City

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the City's activities in a way that will help answer this question. These two statements report the net position of the City and the changes in them. One can think of the City's net position – the difference between assets, deferred outflows, liabilities, and deferred inflows – as one way to measure financial health or financial position. Over time, increases and decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, net position was \$36,200,963 (\$4,498,700 in governmental activities and \$31,702,193 in business-type activities) as of June 30, 2017. By far, the largest portion of the City's net position (81.4%) reflects its net investment in capital assets (e.g. land, buildings, equipment and infrastructure, less any related debt used to acquire those

assets that is still outstanding). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 provides a summary of the City's net position for 2017 compared to 2016.

Table 1
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current Assets	\$ 1,648,933	\$ 1,781,777	\$ 7,569,830	\$ 6,936,660	\$ 9,218,763	\$ 8,718,437
Restricted Cash	-	-	179,533	181,448	179,533	181,448
Capital Assets, Net	4,256,815	4,296,510	25,196,128	25,993,494	29,452,943	30,290,004
<i>Total Assets</i>	<u>5,905,748</u>	<u>6,078,287</u>	<u>32,945,491</u>	<u>33,111,602</u>	<u>38,851,239</u>	<u>39,189,889</u>
Deferred Outflow Of Resources						
Post Measurement Date						
Employer Contributions	176,721	156,855	120,972	118,792	297,693	275,647
Deferred Pension Outflow	157,268	68,661	119,459	73,909	276,727	142,570
<i>Total Deferred Outflows</i>	<u>333,989</u>	<u>225,516</u>	<u>240,431</u>	<u>192,701</u>	<u>574,420</u>	<u>418,217</u>
Liabilities						
Current Liabilities	118,385	103,606	229,736	1,098,837	348,121	1,202,443
Long-Term Liabilities						
Due Within One Year	-	-	-	6,320	-	6,320
Due After One Year	1,448,543	1,356,908	1,121,795	1,514,120	2,570,338	2,871,028
<i>Total Liabilities</i>	<u>1,566,928</u>	<u>1,460,514</u>	<u>1,351,531</u>	<u>2,619,277</u>	<u>2,918,459</u>	<u>4,079,791</u>
Deferred Inflow Of Resources						
Deferred Pension Inflow	174,039	176,964	132,198	153,923	306,237	330,887
Net Position						
Invested in Capital						
Assets, Net of Debt	4,256,815	4,296,510	25,196,128	25,526,613	29,452,943	29,823,123
Restricted Position	-	-	171,873	174,869	171,873	174,869
Unrestricted	241,955	369,815	6,334,192	4,829,621	6,576,147	5,199,436
<i>Total Net Position</i>	<u>\$ 4,498,770</u>	<u>\$ 4,666,325</u>	<u>\$31,702,193</u>	<u>\$30,531,103</u>	<u>\$36,200,963</u>	<u>\$35,197,428</u>

Net position increased by \$1,003,535 to \$36,200,963 in 2017 from \$35,197,428 in 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for Services	\$ 208,021	\$ 219,839	\$ 1,980,479	\$ 1,893,078	\$ 2,188,500	\$ 2,112,917
Operating Grants and Contributions	124,911	281,141	1,033,213	98,362	1,158,124	379,503
Capital Grants and Contributions	183,197	-	1,432,735	6,954,383	1,615,932	6,954,383
	<u>516,129</u>	<u>500,980</u>	<u>4,446,427</u>	<u>8,945,823</u>	<u>4,962,556</u>	<u>9,446,803</u>
General Revenues:						
Property taxes	242,334	232,424	-	-	242,334	232,424
Other taxes	200,767	189,679	-	-	200,767	189,679
Franchise fees	178,049	187,026	-	-	178,049	187,026
Consolidated taxes	427,786	411,463	-	-	427,786	411,463
Unrestricted grants	200,000	200,000	-	-	200,000	200,000
Other	10,408	7,860	-	-	10,408	7,860
Gain on land transfer	-	54,201	-	-	-	54,201
	<u>1,775,473</u>	<u>1,783,633</u>	<u>4,446,427</u>	<u>8,945,823</u>	<u>6,221,900</u>	<u>10,729,456</u>
Expenses:						
General government	493,126	465,748	-	-	493,126	465,748
Judicial	89,769	76,380	-	-	89,769	76,380
Public safety	955,242	877,480	-	-	955,242	877,480
Public works	291,166	469,481	-	-	291,166	469,481
Health	14,508	11,381	-	-	14,508	11,381
Cultural and recreation	99,217	104,152	-	-	99,217	104,152
Utilities	-	-	3,275,337	2,140,070	3,275,337	2,140,070
	<u>1,943,028</u>	<u>2,004,622</u>	<u>3,275,337</u>	<u>2,140,070</u>	<u>5,218,365</u>	<u>4,144,692</u>
<i>Total Expenses</i>						
<i>Change in Net Position</i>	(167,555)	(220,989)	1,171,090	6,805,753	1,003,535	6,584,764
Beginning Net Position	<u>4,666,325</u>	<u>4,887,314</u>	<u>30,531,103</u>	<u>23,725,350</u>	<u>35,197,428</u>	<u>28,612,664</u>
Ending Net Position	<u>\$ 4,498,770</u>	<u>\$ 4,666,325</u>	<u>\$ 31,702,193</u>	<u>\$ 30,531,103</u>	<u>\$ 36,200,963</u>	<u>\$ 35,197,428</u>

Governmental Activities

While the Statement of Net Position shows the change in financial position of net position, the Statement of Activities provides answers as to the nature and scope of these changes. As can be seen in Table 2 above, changes in net position were a reduction of \$167,555 for governmental activities and an increase of \$1,171,090 for business-type activities in fiscal year 2017. In the year 2016, the total increase in net position was \$6,584,764.

- The governmental activities total revenues in 2017 decreased by \$8,160 from \$1,783,633 in 2016 to \$1,775,473 in 2017.
- Governmental activities expenses of \$1,943,028 in 2017 decreased by \$61,594 or 3% in year 2017 compared to \$2,004,622.

Business-Type Activities

- The business-type activities charges for service revenues increased \$84,452 from \$1,893,078 in 2016 to \$1,980,479 in 2017.
- The business type activities total expenditures were \$3,275,337 in 2017 compared to \$2,140,070 in 2016 increased by \$1,135,267 mainly due to ARCO customer hookup expenses of \$931,618 deemed not capitalizable as expenses occurred on private property of the owner.
- The business-type activities capital contributions totaled \$6,954,383 in 2016 compared to \$1,432,735 in 2017. Capital contribution in both years is largely attributable to the ARCO Sunset Hills water system project which was completed in late August 2016.

Financial Analysis of the City's Funds

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

Governmental Funds: The focus of the City's governmental funds is to provide information on the near-term inflow, outflow, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unrestricted fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$1,525,272 which is a decrease of \$146,030 compared to the prior year amount of \$1,671,302. This decrease is largely attributable to the General Fund incurring a reduction of fund balance of \$100,361 and the Fixed Asset Acquisition Fund reduction of fund balance of \$39,528. While the bulk of the governmental fund balances are not reserved in the governmental fund statements, they may lead to restricted net position on the Statement of Net Position due to being restricted for use for a particular purpose mandated by the sources of the resources, such as state statutes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$392,186 while the 2016 fund balance was \$492,547. Fund balance represents approximately 24.1% of the total General Fund expenditures and transfers out.

The City's General Fund ending fund balance decreased \$100,361 in 2017 while the fiscal year 2016 decrease was \$86,234.

General Fund Budgetary Highlights

The City's budget is prepared according to Nevada law and is based on generally accepted accounting principles. The City adopts an annual budget following budget workshops and a public hearing. The budget provides proposed expenditures and the means of financing them. The most significant budgeted fund is the General Fund. With the General Fund supporting many of our major activities such as our public safety programs, as well as most legislative, judicial and executive activities the General Fund is monitored closely looking for possible revenue shortfall or over spending by individual departments. In summary, the noted differences and explanations are as follows:

- General Fund total revenues of \$1,521,110 were \$10,602 over budget and reflected a modest increase over 2016 total revenues of \$1,518,306.
- General Fund total charges for services revenues of \$89,170 were under budget by \$58,130 consisting largely of airport fuel charges decreasing from \$105,739 in 2016 to \$71,229 in 2017.
- The General Fund total expenditures of \$1,569,029 were under budgeted appropriations of \$1,900,999 by \$331,970.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets, net of depreciation, for its governmental and business-type activities as of June 30, 2017 is \$29,452,943 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and systems, improvements, equipment, vehicles, and roads and highways. In the notes to the financial statements, Note 3 (Capital Assets) provides capital asset activity during 2017.

Major capital asset events during the current year include the following:

- The Governmental Funds had \$248,091 in asset additions for the year. Major additions were a new park lawn mower costing \$23,004, and preliminary engineering fees of \$208,853 associated with resurfacing of the City's airport runway. The City is following a 5-year capital improvement plan and limits the purchase of new assets as deemed necessary.

The Business Type Funds had net asset additions of \$90,264 for the year. New asset additions consisted of largely \$143,985 sewer auger system, and \$243,333 in preliminary engineering design costs associated with upcoming City water line and sewer lines project. The City also incurred \$614,039 in final construction costs associated with the installing a new water distribution system in the Sunset Hills service area. Construction costs totaling \$931,618 associated with hookup costs occurring on customer's private property were reclassified as operating costs not subject to capitalization since ownership of such improvement belongs to the private parties.

Long-Term Debt:

Governmental Activities:

There are no governmental activity debt obligations in 2017.

Business-Type Activities:

The Crystal Clear Water Fund's outstanding USDA Rural Development Bonds were paid off early during 2017 in the amount of \$466,881. The City's Water Fund advanced \$187,037 to Crystal Clear Water Fund to assist in making the early retirement of said bond.

In addition to the bonded debt, the City's long-term obligations include compensated absences. Additional information on the City's long-term debt can be found in Notes 4 and 5 of this financial report.

Economic Factors and Next Years Budget

The City Council and the management of the City consider many factors when setting the fiscal year 2018 budget, tax rates, user fees and other charges. Some of those factors are the local economy and the impact taxes, charges and rates have on the customers.

The City of Yerington population growth has been very flat over the past several years with an estimated population of 3,095.

Current economic indicators have suggested that the current economy will remain in a low growth mode for at least another year. Given these conditions, the City maintains a conservative approach to spending while maximizing its local revenues.

All of these factors were considered in the preparation of the City's 2018 budget. In conjunction with the current economic factors, the City limited its anticipated spending for 2018, and asked department heads to limit spending and capital outlay.

Requests for Information

This financial report is designed to provide our customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional financial information should be directed to the City Manager of the City of Yerington, 102 South Main Street, Yerington, Nevada, 89447.

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CITY OF YERINGTON, NEVADA**STATEMENT OF NET POSITION****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)*

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
Current Assets		
Cash and investments - Note 2	\$ 1,476,357	\$ 7,144,603
Taxes receivable, secured roll	5,306	-
Use fees receivable, net of allowances for uncollectibles	-	227,362
Due from other governments	103,390	110,214
Other receivables	50,213	69,553
Inventory	13,667	18,098
	<hr/>	<hr/>
Total Current Assets	1,648,933	7,569,830
	<hr/>	<hr/>
Noncurrent Assets		
Restricted cash and investments - Note 2	-	179,533
Capital Assets - Note 3		
Land, improvements, and construction in progress	848,616	743,141
Other capital assets, net of depreciation	3,408,199	24,452,987
	<hr/>	<hr/>
Total Noncurrent Assets	4,256,815	25,375,661
	<hr/>	<hr/>
Total Assets	5,905,748	32,945,491
	<hr/>	<hr/>
Deferred Outflow of Resources		
Post measurement date employer contributions - Note 7	176,721	120,972
Deferred pension outflow - Note 7	157,268	119,459
	<hr/>	<hr/>
Total Deferred Outflow of Resources	333,989	240,431
	<hr/>	<hr/>

TOTAL	
2017	2016
\$ 8,620,960	\$ 6,786,222
5,306	8,125
227,362	219,437
213,604	116,921
119,766	1,560,492
31,765	27,240
9,218,763	8,718,437
179,533	181,448
1,591,757	8,535,152
27,861,186	21,754,852
29,632,476	30,471,452
38,851,239	39,189,889
297,693	275,647
276,727	142,570
574,420	418,217

CITY OF YERINGTON, NEVADA**STATEMENT OF NET POSITION****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)*

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>
Current Liabilities		
Accounts payable	\$ 71,967	\$ 107,367
Construction contracts payable	-	52,496
Accrued salaries and benefits	45,753	33,010
Due to other governments	25	29,203
Accrued interest	-	-
Customers' deposits	-	7,660
Bail deposits	640	-
Current portion of long-term debt - Note 4	-	-
	<hr/>	<hr/>
Total Current Liabilities	118,385	229,736
	<hr/>	<hr/>
Long-term liabilities		
Compensated absences - Note 5	48,903	27,791
Accrued OPEB liability - Note 4, 5 & 8	170,249	160,174
Net pension liability - Note 7	1,229,391	933,830
Long-term portion of bonds payable - Note 4	-	-
	<hr/>	<hr/>
Total Long-term Liabilities	1,448,543	1,121,795
	<hr/>	<hr/>
Total Liabilities	1,566,928	1,351,531
	<hr/>	<hr/>
Deferred Inflow of Resources		
Deferred pension inflow - Note 7	174,039	132,198
	<hr/>	<hr/>
Total Deferred Inflow of Resources	174,039	132,198
	<hr/>	<hr/>
Net Position		
Net investment in capital assets	4,256,815	25,196,128
Restricted - Note 9	-	171,873
Unrestricted	241,955	6,334,192
	<hr/>	<hr/>
Total Net Position	\$ 4,498,770	\$ 31,702,193
	<hr/> <hr/>	<hr/> <hr/>

TOTAL	
2017	2016
\$ 179,334	\$ 81,327
52,496	1,016,747
78,763	75,396
29,228	20,971
-	218
7,660	6,579
640	1,205
-	6,320
348,121	1,208,763
76,694	68,849
330,423	330,555
2,163,221	2,011,063
-	460,561
2,570,338	2,871,028
2,918,459	4,079,791
306,237	330,887
306,237	330,887
29,452,943	29,823,123
171,873	174,869
6,576,147	5,199,436
\$ 36,200,963	\$ 35,197,428

The accompanying notes are an integral part of these financial statements

CITY OF YERINGTON, NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	EXPENSES	PROGRAM REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General government	\$ 493,126	\$ -	\$ -	\$ -
Judicial	89,769	57,507	-	-
Public safety	955,242	3,432	-	-
Public works	291,166	145,137	84,911	183,197
Health	14,508	1,945	-	-
Culture and recreation	99,217	-	40,000	-
<i>Total Governmental Activities</i>	<u>1,943,028</u>	<u>208,021</u>	<u>124,911</u>	<u>183,197</u>
Business-Type Activities:				
Water Utilities	2,576,415	1,279,329	1,033,213	1,357,908
Sewer Utilities	698,922	701,150	-	74,827
<i>Total Business-type Activities</i>	<u>3,275,337</u>	<u>1,980,479</u>	<u>1,033,213</u>	<u>1,432,735</u>
Total City	<u>\$ 5,218,365</u>	<u>\$ 2,188,500</u>	<u>\$ 1,158,124</u>	<u>\$ 1,615,932</u>

General Revenues:

- Property taxes, levied for general purposes
- Other taxes
- Franchise fees
- Consolidated taxes
- Unrestricted investment earnings
- Miscellaneous income
- Grants not restricted to a specific program

Total General Revenues

Gain on land transfer

Change in Net Position

Net Position - Beginning

Net Position - Ending

<i>Net (Expenses) Revenues and Changes in Net Position</i>			
GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
		2017	2016
\$ (493,126)	\$ -	\$ (493,126)	\$ (465,748)
(32,262)	-	(32,262)	(34,227)
(951,810)	-	(951,810)	(855,503)
122,079	-	122,079	(74,031)
(12,563)	-	(12,563)	(9,981)
(59,217)	-	(59,217)	(64,152)
<u>(1,426,899)</u>	<u>-</u>	<u>(1,426,899)</u>	<u>(1,503,642)</u>
-	1,094,035	1,094,035	6,842,379
-	<u>77,055</u>	<u>77,055</u>	<u>(36,626)</u>
-	1,171,090	1,171,090	6,805,753
<u>(1,426,899)</u>	<u>1,171,090</u>	<u>(255,809)</u>	<u>5,302,111</u>
242,334	-	242,334	232,424
200,767	-	200,767	189,679
178,049	-	178,049	187,026
427,786	-	427,786	411,463
730	-	730	842
9,678	-	9,678	7,018
200,000	-	200,000	200,000
<u>1,259,344</u>	<u>-</u>	<u>1,259,344</u>	<u>1,228,452</u>
-	-	-	54,201
(167,555)	1,171,090	1,003,535	6,584,764
<u>4,666,325</u>	<u>30,531,103</u>	<u>35,197,428</u>	<u>28,612,664</u>
<u>\$ 4,498,770</u>	<u>\$ 31,702,193</u>	<u>\$ 36,200,963</u>	<u>\$ 35,197,428</u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA**BALANCE SHEET
GOVERNMENTAL FUNDS****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)*

	GENERAL FUND	MUNICIPAL COURT ADMINISTRATIVE ASSESSMENT FUND	SPECIAL REVENUE FUND
Assets			
Cash and investments - Note 2	\$ 331,095	\$ 12,394	\$ 72,178
Taxes receivable, secured roll	5,306	-	-
Accounts receivable	45,087	-	5,126
Due from other governments	86,174	-	-
Fuel Inventory	13,667	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 481,329	\$ 12,394	\$ 77,304
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Liabilities			
Accounts payable	\$ 37,474	\$ 3,004	\$ 15,475
Accrued compensation	45,753	-	-
Due to other governments	-	25	-
Consumer / bail deposits and restitution	640	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	83,867	3,029	15,475
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Deferred Inflow of Resources			
Unavailable taxes receivable	5,276	-	-
	<hr/>	<hr/>	<hr/>
Fund Balances - Note 9			
Nonspendable	13,667	-	-
Committed	34,022	9,365	61,829
Assigned	184,064	-	-
Unassigned	160,433	-	-
	<hr/>	<hr/>	<hr/>
	-	-	-
Total Fund Balances	392,186	9,365	61,829
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total Liabilities, Deferred Inflows and Fund Balances	\$ 481,329	\$ 12,394	\$ 77,304
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FIXED ASSET ACQUISITION FUND	TOTALS	
	2017	2016
\$ 1,060,690	\$ 1,476,357	\$ 1,637,695
-	5,306	8,125
-	50,213	37,317
17,216	103,390	84,986
-	13,667	13,654
<u>\$ 1,077,906</u>	<u>\$ 1,648,933</u>	<u>\$ 1,781,777</u>
\$ 16,014	\$ 71,967	\$ 54,008
-	45,753	48,368
-	25	25
-	640	1,205
<u>16,014</u>	<u>118,385</u>	<u>103,606</u>
-	5,276	6,869
-	13,667	13,654
1,061,892	1,167,108	1,212,777
-	184,064	444,871
-	160,433	-
<u>1,061,892</u>	<u>1,525,272</u>	<u>1,671,302</u>
<u>\$ 1,077,906</u>	<u>\$ 1,648,933</u>	<u>\$ 1,781,777</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF YERINGTON, NEVADA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	2017	2016
Total Fund Balance - Governmental Funds	\$ 1,525,272	\$ 1,671,302
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental funds are not current financial resources and therefore not reported in the governmental fund financial statements.	12,280,865	12,060,872
Accumulated depreciation has not been included in the governmental fund financial statements.	(8,024,050)	(7,764,362)
Revenue reported as deferred revenue in the governmental fund financial statements is recorded as revenue in the government-wide financial statements.	5,276	6,869
The net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds	(1,229,391)	(1,142,915)
Deferred pension inflows and outflows of resources represent changes in the net pension liability that are to be amortized over future periods. They will not require current financial resources and are therefore not reported in the governmental funds.	159,950	48,552
Compensated absences have not been reflected in the governmental fund financial statements.	(48,903)	(43,673)
Post-employment health insurance that is not due and payable in the current period and therefore is not reported in the governmental funds.	(170,249)	(170,320)
Net Position of Governmental Activities	\$ 4,498,770	\$ 4,666,325

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	GENERAL FUND	MUNICIPAL COURT ADMINISTRATIVE ASSESSMENT FUND	SPECIAL REVENUE FUND
Revenues			
Taxes	\$ 243,891	\$ -	\$ 68,631
Licenses and permits	335,821	-	-
Intergovernmental revenues	792,180	-	-
Charges for services	89,170	-	-
Fines and forfeits	54,145	3,362	-
Nevada Copper, land transfer	-	-	-
Other revenues	5,903	-	-
<i>Total Revenues</i>	<u>1,521,110</u>	<u>3,362</u>	<u>68,631</u>
Expenditures			
Current:			
General government	255,722	-	75,132
Judicial	86,926	3,002	-
Public safety	907,595	-	-
Public works	206,872	-	-
Health	15,461	-	-
Culture and recreation	96,453	-	-
<i>Total Expenditures</i>	<u>1,569,029</u>	<u>3,002</u>	<u>75,132</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(47,919)</u>	<u>360</u>	<u>(6,501)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(52,442)	-	-
<i>Total Other Financing Sources (Uses) of Funds</i>	<u>(52,442)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses	(100,361)	360	(6,501)
Fund Balance, July 1	<u>492,547</u>	<u>9,005</u>	<u>68,330</u>
Fund Balance, June 30	<u><u>\$ 392,186</u></u>	<u><u>\$ 9,365</u></u>	<u><u>\$ 61,829</u></u>

FIXED ASSET ACQUISITION FUND	TOTALS	
	2017	2016
\$ 36	\$ 312,558	\$ 295,252
-	335,821	316,683
183,197	975,377	929,979
-	89,170	141,187
-	57,507	42,153
-	-	2,016,696
730	6,633	5,360
<u>183,963</u>	<u>1,777,066</u>	<u>3,747,310</u>
-	330,854	2,352,006
-	89,928	75,397
44,076	951,671	906,068
208,853	415,725	382,133
-	15,461	11,036
23,004	119,457	99,828
<u>275,933</u>	<u>1,923,096</u>	<u>3,826,468</u>
<u>(91,970)</u>	<u>(146,030)</u>	<u>(79,158)</u>
52,442	52,442	48,247
-	(52,442)	(48,247)
<u>52,442</u>	<u>-</u>	<u>-</u>
(39,528)	(146,030)	(79,158)
<u>1,101,420</u>	<u>1,671,302</u>	<u>1,750,460</u>
<u>\$ 1,061,892</u>	<u>\$ 1,525,272</u>	<u>\$ 1,671,302</u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Net Change in Fund Balances - Total Governmental Funds	\$ (146,030)	\$ (79,158)
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the governmental fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements.	248,091	187,466
Depreciation is not recognized as an expense in governmental funds, since it does not require the use of current financial resources. The effect on the current year's depreciation is to decrease net assets.	(287,786)	(288,151)
Reductions in capital assets carrying value is recognized as an expense in the statement of activities but not recorded in the governmental fund statements because it does not use current financial resources.	-	(43,021)
Revenues from property taxes and other revenues is deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed in the government-wide financial statements.	(1,593)	(1,182)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.	(5,230)	(3,829)
Future health insurance post-employment benefits are reported in the statement of activities but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund financial statements.	71	866
Pension contributions made after the measurement date of the pension liability are expensed in the governmental fund financial statements but deferred to the subsequent fiscal year in the statement of activities.	19,866	(14,312)
Changes in net pension liability resulting from differences in actual and projected earnings, experience and changes in proportionate share do not affect current financial resources and are not reported in the governmental funds.	5,056	20,332
Change in Net Position of Governmental Activities	\$ (167,555)	\$ (220,989)

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Revenues					
Taxes					
Ad valorem taxes	\$ 238,645	\$ 238,645	\$ 243,891	\$ 5,246	\$ 232,366
Licenses, Permits and Fees					
Business licenses	94,000	94,000	96,428	2,428	93,158
Franchise taxes					
Natural gas	25,000	25,000	34,414	9,414	39,036
Electric	136,000	136,000	113,642	(22,358)	120,556
Cable television	9,000	9,000	7,175	(1,825)	6,090
Sanitation	17,000	17,000	22,818	5,818	21,344
	<u>187,000</u>	<u>187,000</u>	<u>178,049</u>	<u>(8,951)</u>	<u>187,026</u>
Non-business licenses and permits					
Animal licenses	-	-	95	95	87
Building permits	34,131	34,131	60,799	26,668	35,912
Planning and zoning	4,450	4,450	450	(4,000)	500
	<u>38,581</u>	<u>38,581</u>	<u>61,344</u>	<u>22,763</u>	<u>36,499</u>
Total Licenses and Permits	<u>319,581</u>	<u>319,581</u>	<u>335,821</u>	<u>16,240</u>	<u>316,683</u>
Intergovernmental Revenues					
State and federal shared revenues					
Motor vehicle fuel tax	56,880	56,880	60,911	4,031	56,992
Consolidated tax distribution	418,922	418,922	427,786	8,864	411,463
	<u>475,802</u>	<u>475,802</u>	<u>488,697</u>	<u>12,895</u>	<u>468,455</u>
Other local government shared revenues					
Road construction tax	9,680	9,680	-	(9,680)	-
County road ad valorem tax	-	-	20,000	20,000	34,436
County ad valorem agreement	200,000	200,000	200,000	-	200,000
County gaming licenses	33,000	33,000	35,708	2,708	34,875
	<u>242,680</u>	<u>242,680</u>	<u>255,708</u>	<u>13,028</u>	<u>269,311</u>

CITY OF YERINGTON, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Payments in lieu of taxes					
County parks agreement	\$ 40,000	\$ 40,000	\$ 40,000	\$ -	\$ 40,000
County airport contribution	4,000	4,000	4,000	-	4,000
State rural housing	2,500	2,500	3,775	1,275	2,500
	<u>46,500</u>	<u>46,500</u>	<u>47,775</u>	<u>1,275</u>	<u>46,500</u>
Total Intergovernmental Revenues	<u>764,982</u>	<u>764,982</u>	<u>792,180</u>	<u>27,198</u>	<u>784,266</u>
Charges for Services					
Airport charges	12,300	12,300	12,208	(92)	11,897
Airport fuel charges	115,000	115,000	71,229	(43,771)	105,739
Animal shelter	1,500	1,500	1,850	3,350	1,313
Weed abatement	9,000	9,000	451	(8,549)	261
Police services:					
Night in the Country	7,000	7,000	-	(7,000)	18,097
Other charges for services	2,500	2,500	3,432	932	3,880
Total Charges for Services	<u>147,300</u>	<u>147,300</u>	<u>89,170</u>	<u>(58,130)</u>	<u>141,187</u>
Fines and Forfeits					
Municipal court fines	35,000	35,000	45,203	10,203	36,734
Other court fees	3,500	3,500	8,942	5,442	2,552
Total Fines and Forfeits	<u>38,500</u>	<u>38,500</u>	<u>54,145</u>	<u>15,645</u>	<u>39,286</u>
Other Revenues	<u>1,500</u>	<u>1,500</u>	<u>5,903</u>	<u>4,403</u>	<u>4,518</u>
Total Revenues	<u>1,510,508</u>	<u>1,510,508</u>	<u>1,521,110</u>	<u>10,602</u>	<u>1,518,306</u>

CITY OF YERINGTON, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Operating Expenditures					
General Government					
Mayor and Council					
Salaries and wages	\$ 21,600	\$ 21,600	\$ 21,300	\$ 300	\$ 23,223
Employee benefits	4,029	4,029	4,867	(838)	4,852
Services and supplies	6,100	6,100	1,843	4,257	1,783
Total Mayor and Council	31,729	31,729	28,010	3,719	29,858
Management and Administration					
Salaries and wages	65,759	65,759	61,130	4,629	57,037
Employee benefits	28,790	28,790	29,867	(1,077)	26,686
Services and supplies	124,380	129,322	136,715	(7,393)	152,407
Capital outlay	6,000	6,000	-	6,000	10,000
Total Management and Administration	224,929	229,871	227,712	2,159	246,130
Total General Government Function	256,658	261,600	255,722	5,878	275,988
Judicial					
Municipal Court					
Salaries and wages	28,288	28,288	27,659	629	22,760
Employee benefits	17,272	17,272	16,729	543	14,746
Services and supplies	41,903	49,403	42,538	6,865	37,441
Total Judicial Function	87,463	94,963	86,926	8,037	74,947
Public Safety					
Police Department					
Salaries and wages	489,426	489,426	412,299	77,127	386,092
Employee benefits	315,888	315,888	243,379	72,509	222,034
Services and supplies	157,581	157,581	111,647	45,934	124,012
Total Police Department	962,895	962,895	767,325	195,570	732,138

CITY OF YERINGTON, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Fire Department					
Services and supplies					
Contractual agreement	\$ 140,270	\$ 140,270	\$ 140,270	\$ -	\$ 135,936
Total Public Safety Function	1,103,165	1,103,165	907,595	195,570	868,074
Public Works					
Building Department					
Salaries and wages	19,817	19,817	256	19,561	260
Employee benefits	10,977	10,977	113	10,864	130
Services and supplies	5,993	15,993	30,087	(14,094)	10,579
Total Building Department	36,787	46,787	30,456	16,331	10,969
Street Department					
Salaries and wages	27,492	27,492	19,903	7,589	24,596
Employee benefits	6,980	6,980	6,580	400	6,986
Services and supplies	80,313	80,313	58,870	21,443	80,921
Capital outlay	1,000	1,000	-	1,000	-
Total Street Department	115,785	115,785	85,353	30,432	112,503
Airport					
Salaries and wages	3,456	3,456	3,372	84	3,650
Employee benefits	2,698	2,698	1,630	1,068	1,829
Services and supplies	146,200	146,200	86,061	60,139	107,469
Total Airport	152,354	152,354	91,063	61,291	112,948
Total Public Works Function	304,926	314,926	206,872	108,054	236,420
Health					
Animal Control					
Salaries and wages	4,212	4,212	4,702	(490)	1,240
Employee benefits	3,697	3,697	2,809	888	1,416
Services and supplies	8,723	18,723	7,950	10,773	8,380
Total Health Function	16,632	26,632	15,461	11,171	11,036

CITY OF YERINGTON, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Culture and Recreation					
Parks and recreation					
Salaries and wages	\$ 25,263	\$ 25,263	\$ 22,413	\$ 2,850	\$ 35,224
Employee benefits	9,572	9,572	8,416	1,156	11,336
Services and supplies	37,578	57,578	65,624	(8,046)	43,268
Capital outlay	7,300	7,300	-	7,300	-
Total Culture and Recreation Function	<u>79,713</u>	<u>99,713</u>	<u>96,453</u>	<u>3,260</u>	<u>89,828</u>
<i>Total Expenditures</i>	<u>1,848,557</u>	<u>1,900,999</u>	<u>1,569,029</u>	<u>331,970</u>	<u>1,556,293</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(338,049)</u>	<u>(390,491)</u>	<u>(47,919)</u>	<u>342,572</u>	<u>(37,987)</u>
Other Financing (Uses)					
Contingency	(55,456)	(3,014)	-	3,014	-
Transfer to Fixed Asset Acquisition Fund	<u>(52,442)</u>	<u>(52,442)</u>	<u>(52,442)</u>	<u>-</u>	<u>(48,247)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(107,898)</u>	<u>(55,456)</u>	<u>(52,442)</u>	<u>3,014</u>	<u>(48,247)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(445,947)	(445,947)	(100,361)	345,586	(86,234)
Fund Balance, July 1	<u>770,591</u>	<u>770,591</u>	<u>460,422</u>	<u>(310,169)</u>	<u>546,656</u>
Fund Balance - Budget Basis, June 30	<u><u>\$ 324,644</u></u>	<u><u>\$ 324,644</u></u>	<u><u>360,061</u></u>	<u><u>\$ 35,417</u></u>	<u><u>460,422</u></u>
<u>RECONCILIATION TO GAAP BASIS</u>					
The Compensated Absence Fund is included within the General Fund for GAAP basis reporting. The following items from this fund reconcile the budget to GAAP basis.					
Expenditures					
General Government	\$ (32,125)	\$ (32,125)	-	\$ (32,125)	-
Fund Balance, July 1	<u>32,125</u>	<u>32,125</u>	<u>32,125</u>	<u>-</u>	<u>32,125</u>
Fund Balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>32,125</u></u>	<u><u>\$ 32,125</u></u>	<u><u>32,125</u></u>
Fund Balance - GAAP Basis, June 30			<u><u>\$ 392,186</u></u>		<u><u>\$ 492,547</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
MUNICIPAL COURT ADMINISTRATIVE ASSESSMENT FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	BUDGET			
Revenues					
Fines and Forfeits					
Municipal Court assessments	\$ 800	\$ 800	\$ 1,299	\$ 499	\$ 1,247
Special facility assessments	1,200	1,200	2,063	863	1,620
<i>Total Revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>3,362</u>	<u>1,362</u>	<u>2,867</u>
Expenditures					
Judicial					
Capital outlay					
Court assessments	3,000	3,000	7	2,993	450
Administrative assessments	4,500	4,500	2,995	1,505	-
<i>Total Expenditures</i>	<u>7,500</u>	<u>7,500</u>	<u>3,002</u>	<u>4,498</u>	<u>450</u>
Excess (Deficiency) of Revenues over Expenditures	(5,500)	(5,500)	360	5,860	2,417
Fund Balance, July 1	<u>5,588</u>	<u>5,588</u>	<u>9,005</u>	<u>3,417</u>	<u>6,588</u>
Fund Balance, June 30	<u><u>\$ 88</u></u>	<u><u>\$ 88</u></u>	<u><u>\$ 9,365</u></u>	<u><u>\$ 9,277</u></u>	<u><u>\$ 9,005</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2016</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
Revenues					
Room taxes	\$ 80,000	\$ 80,000	\$ 68,631	\$ (11,369)	\$ 61,646
Intergovernmental					
NFWF River grant	-	-	-	-	145,713
<i>Total Revenues</i>	<u>80,000</u>	<u>80,000</u>	<u>68,631</u>	<u>(11,369)</u>	<u>207,359</u>
Expenditures					
General Government					
Room tax distributions	66,667	66,667	63,020	3,647	34,579
Intergovernmental, room tax	13,333	13,333	12,112	1,221	9,471
<i>Total General Government</i>	<u>80,000</u>	<u>80,000</u>	<u>75,132</u>	<u>4,868</u>	<u>44,050</u>
Public Works					
NFWF Walker River Grant	-	-	-	-	145,713
<i>Total Expenditures</i>	<u>80,000</u>	<u>80,000</u>	<u>75,132</u>	<u>4,868</u>	<u>189,763</u>
Excess of Revenues over Expenditures	-	-	(6,501)	(6,501)	17,596
Fund Balance, July 1	50,734	50,734	68,330	17,596	50,734
Fund Balance, June 30	<u>\$ 50,734</u>	<u>\$ 50,734</u>	<u>\$ 61,829</u>	<u>\$ 11,095</u>	<u>\$ 68,330</u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA**PROPRIETARY FUNDS****STATEMENT OF NET POSITION****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)**(Page 1 of 2)*

	UTILITY ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	CRYSTAL CLEAR WATER FUND
Current Assets			
Unrestricted			
Cash - Note 2	\$ 5,325,435	\$ 1,819,168	\$ -
Accounts receivables, net of allowance for doubtful accounts	147,482	72,237	7,643
Due from other governments	52,168	58,046	-
Other receivables	62,484	7,069	-
Inventory of materials and supplies	18,098	-	-
Advance to Crystal Clear Water Fund	187,037	-	-
Restricted Cash - Note 2			
Customer deposits	5,767	1,893	-
AB 198 capital reserve	67,774	-	104,099
USDA loan reserve	-	-	-
<i>Total Current Assets</i>	<u>5,866,245</u>	<u>1,958,413</u>	<u>111,742</u>
Property, Plant and Equipment - Note 3			
Land and water rights	11,493	10,120	295,900
Construction in progress	300,180	125,448	-
Building, wells, tanks, and distribution system	21,424,458	-	3,166,620
Treatment plant and collection system	-	6,032,049	-
Vehicles	68,558	46,009	-
Maintenance equipment	2,810,777	423,632	-
Office equipment	82,846	45,080	-
	24,698,312	6,682,338	3,462,520
Accumulated depreciation	<u>(5,385,646)</u>	<u>(3,559,211)</u>	<u>(702,185)</u>
<i>Total Property, Plant and Equipment</i>	<u>19,312,666</u>	<u>3,123,127</u>	<u>2,760,335</u>
Total Assets	<u>25,178,911</u>	<u>5,081,540</u>	<u>2,872,077</u>
Deferred Outflow of Resources			
Post measurement date employer pension contributions - Note 7	69,582	51,390	-
Deferred pension inflow - Note 7	69,211	50,248	-
Total Deferred Outflow of Resources	<u>138,793</u>	<u>101,638</u>	<u>-</u>

TOTALS	
2017	2016
\$ 7,144,603	\$ 5,148,527
227,362	219,437
110,214	31,935
69,553	1,523,175
18,098	13,586
187,037	-
7,660	6,579
171,873	148,829
-	26,040
<u>7,936,400</u>	<u>7,118,108</u>
317,513	317,513
425,628	7,577,876
24,591,078	17,499,131
6,032,049	5,888,065
114,567	114,567
3,234,409	3,227,438
127,926	127,926
<u>34,843,170</u>	<u>34,752,516</u>
<u>(9,647,042)</u>	<u>(8,759,022)</u>
<u>25,196,128</u>	<u>25,993,494</u>
<u>33,132,528</u>	<u>33,111,602</u>
120,972	118,792
119,459	73,909
<u>240,431</u>	<u>192,701</u>

CITY OF YERINGTON, NEVADA**PROPRIETARY FUNDS****STATEMENT OF NET POSITION****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)**(Page 2 of 2)*

	UTILITY ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	CRYSTAL CLEAR WATER FUND
Liabilities			
Current liabilities payable from unrestricted assets:			
Accounts payable and accrued liabilities	\$ 60,388	\$ 46,830	\$ 149
Construction contracts payable	52,496	-	-
Accrued salaries and wages	18,175	14,824	11
Due to other governments	16,977	12,226	-
Accrued interest	-	-	-
Advance from Water Utility Fund	-	-	187,037
Current liabilities payable from restricted assets:			
Bonds / notes payable - due within one year	-	-	-
Customer deposits	5,767	1,893	-
<i>Total Current Liabilities</i>	<u>153,803</u>	<u>75,773</u>	<u>187,197</u>
Long-term liabilities:			
Accrued compensated absences	16,194	11,541	56
Accrued OPEB payable	90,659	67,978	1,537
Bonds, due after one year - Note 4	-	-	-
Net Pension Liability - Note 7	541,029	392,801	-
<i>Total Long-Term Liabilities</i>	<u>647,882</u>	<u>472,320</u>	<u>1,593</u>
Total Liabilities	<u>801,685</u>	<u>548,093</u>	<u>188,790</u>
Deferred Inflow of Resources			
Deferred pension inflow - Note 7	76,591	55,607	-
Total Deferred Inflow of Resources	<u>76,591</u>	<u>55,607</u>	<u>-</u>
Net Position			
Net Investment in capital assets	19,312,666	3,123,127	2,760,335
Restricted - loan reserves - Note 9	67,774	-	104,099
Unrestricted	5,058,988	1,456,351	(181,147)
Total Net Position	<u>\$ 24,439,428</u>	<u>\$ 4,579,478</u>	<u>\$ 2,683,287</u>

TOTALS	
2017	2016
\$ 107,367	\$ 27,319
52,496	1,016,747
33,010	27,028
29,203	20,946
-	218
187,037	-
-	6,320
7,660	6,579
416,773	1,105,157
27,791	25,176
160,174	160,235
-	460,561
933,830	868,148
1,121,795	1,514,120
1,538,568	2,619,277
132,198	153,923
132,198	153,923
25,196,128	25,526,613
171,873	174,869
6,334,192	4,829,621
\$ 31,702,193	\$ 30,531,103

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	UTILITY ENTERPRISE FUNDS		
	WATER	SEWER	CRYSTAL CLEAR
	UTILITY FUND	UTILITY FUND	WATER FUND
Operating Revenues			
Use fees, net of bad debts	\$ 1,075,810	\$ 670,590	\$ 63,679
Operating Expenses			
Salaries and wages	274,256	204,045	1,168
Employee benefits	133,457	103,068	627
Service and supplies	396,194	228,140	1,729
Depreciation	630,412	163,669	93,938
<i>Total Operating Expenses</i>	<u>1,434,319</u>	<u>698,922</u>	<u>97,462</u>
Operating Income (Loss)	<u>(358,509)</u>	<u>(28,332)</u>	<u>(33,783)</u>
Nonoperating Revenue (Expenses)			
Late fees / administrative fees	14,390	1,560	-
Water tank lease	11,695	-	375
Willowcreek agreement	19,000	29,000	-
Nevada Copper water reservation fee	87,500	-	-
Water rights revenue	6,880	-	-
Miscellaneous revenues	-	-	-
CDBG - water resource project	101,595	-	-
CDBG - water resource project	(101,638)	-	-
CDBG - sewer line video grant	-	-	-
CDBG - sewer line video project	-	-	-
Atlantic Richfield Co. - customer hookup revenues	931,618	-	-
Atlantic Richfield Co. - customer hookup expenses	(931,618)	-	-
Interest expense	-	-	(11,378)
<i>Total Nonoperating Revenue (Expenses)</i>	<u>139,422</u>	<u>30,560</u>	<u>(11,003)</u>
Income (Loss) before Contributions	<u>(219,087)</u>	<u>2,228</u>	<u>(44,786)</u>
Capital Contributions			
Atlantic Richfield Co. - Sunset Hills Project	1,276,197	-	-
U.S.D.A. grant	42,803	48,681	-
Connect fees	38,908	26,146	-
<i>Total Capital Contributions</i>	<u>1,357,908</u>	<u>74,827</u>	<u>-</u>
Change in Net Position	1,138,821	77,055	(44,786)
Net Position, July 1	<u>23,300,607</u>	<u>4,502,423</u>	<u>2,728,073</u>
Net Position, June 30	<u>\$ 24,439,428</u>	<u>\$ 4,579,478</u>	<u>\$ 2,683,287</u>

TOTALS	
2017	2016
\$ 1,810,079	\$ 1,725,627
479,469	478,186
237,152	202,707
626,063	555,478
888,019	710,060
2,230,703	1,946,431
(420,624)	(220,804)
15,950	12,603
12,070	13,107
48,000	48,000
87,500	87,500
6,880	5,000
-	1,241
101,595	23,362
(101,638)	(23,362)
-	75,000
-	(149,776)
931,618	-
(931,618)	-
(11,378)	(20,501)
158,979	72,174
(261,645)	(148,630)
1,276,197	6,902,953
91,484	-
65,054	51,430
1,432,735	6,954,383
1,171,090	6,805,753
30,531,103	23,725,350
\$ 31,702,193	\$ 30,531,103

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	UTILITY ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	CRYSTAL CLEAR WATER FUND
Cash Flows From Operating Activities			
Receipts from customers	\$ 1,127,569	\$ 702,828	\$ 64,606
Payments to Lyon County	(54,797)	(35,783)	-
Payments of personnel costs	(405,245)	(304,720)	(1,893)
Payments for service and supplies	(354,781)	(194,007)	(1,738)
Net Cash Provided by Operating Activities	<u>312,746</u>	<u>168,318</u>	<u>60,975</u>
Cash Flows From Noncapital Financing Activities			
Water tank lease income	11,695	-	-
Water rights revenue	6,880	-	-
CDBG - sewer line video grant	-	-	-
Payments for water resource and sewer line video projects	(101,638)	-	-
Willow Creek agreement revenues	19,000	29,000	-
Nevada Copper reservation fee	87,500	-	-
Administrative fees	12,461	-	375
Insurance recovery - POOL/PACT	114,800	-	-
Miscellaneous income	1,929	1,560	-
Net Cash Provided by Noncapital Financing Activities	<u>152,627</u>	<u>30,560</u>	<u>375</u>
Cash Flows From Capital and Related Financing Activities			
Capital contributed from customers	38,908	26,146	-
Advance from Water Fund to Crystal Clear Water Fund	(187,037)	-	187,037
Capital contributed by ARCO	2,736,888	-	-
Acquisition of capital assets	(794,838)	(260,067)	-
Principal paid on long-term debt	-	-	(466,881)
Interest paid on long-term debt	-	-	(11,596)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,793,921</u>	<u>(233,921)</u>	<u>(291,440)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,259,294	(35,043)	(230,090)
Cash and Cash Equivalents, July 1	<u>3,139,682</u>	<u>1,856,104</u>	<u>334,189</u>
Cash and Cash Equivalents, June 30	<u>\$ 5,398,976</u>	<u>\$ 1,821,061</u>	<u>\$ 104,099</u>

TOTALS	
2017	2016
\$ 1,895,003	\$ 1,797,905
(90,580)	(90,821)
(711,858)	(711,799)
(550,526)	(590,885)
<u>542,039</u>	<u>404,400</u>
11,695	12,320
6,880	5,000
-	75,000
(101,638)	(173,138)
48,000	48,000
87,500	43,750
12,836	12,623
114,800	10,157
3,489	2,008
<u>183,562</u>	<u>35,720</u>
65,054	32,700
-	-
2,736,888	5,481,374
(1,054,905)	(6,181,076)
(466,881)	(340,102)
(11,596)	(21,793)
<u>1,268,560</u>	<u>(1,028,897)</u>
1,994,161	(588,777)
<u>5,329,975</u>	<u>5,918,752</u>
<u>\$ 7,324,136</u>	<u>\$ 5,329,975</u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	UTILITY ENTERPRISE FUNDS		
	WATER UTILITY FUND	SEWER UTILITY FUND	CRYSTAL CLEAR WATER FUND
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ (358,509)	\$ (28,332)	\$ (33,783)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	630,412	163,669	93,938
Deferred pension expense	(2,681)	(1,092)	
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(8,446)	(3,799)	927
Decrease (increase) in inventory	(4,512)	-	-
Increase (decrease) in consumer deposits	826	255	-
(Decrease) increase in accounts payable and accrued liabilities	55,656	37,617	(107)
Net Cash Provided by Operating Activities	\$ 312,746	\$ 168,318	\$ 60,975

<u>TOTALS</u>	
<u>2017</u>	<u>2016</u>
\$ (420,624)	\$ (220,804)
888,019	710,060
(3,773)	(31,886)
(11,318)	(19,530)
(4,512)	1,904
1,081	(710)
<u>93,166</u>	<u>(34,634)</u>
<u><u>\$ 542,039</u></u>	<u><u>\$ 404,400</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Summary of Significant Account Policies:

The City of Yerington (the “City”) is an incorporated city operated under the applicable laws and regulations of the State of Nevada. The financial statements of the City of Yerington have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units in addition to other authoritative sources issued by the American Institute of Certified Public Accountants.

GASB Statement No. 34 established a financial reporting model for state and local governments that included the addition of a management’s discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow the users of the financial reports to assess a government’s operational accountability. The GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Reporting Entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Yerington. The financial statements of the City of Yerington include those organizations that are controlled by or dependent on the City and fall under the direct jurisdiction of the Mayor and City Council, which is a separately elected body by the citizens of the City. The Mayor and City Council are legally separate and fiscally independent from other governing bodies, with decision-making authority, authority to levy taxes, authority to prepare its own budget, the power to designate management, the ability to significantly influence operations and is accountable for fiscal matters. Therefore, the City is a primary government and is not reported as a component unit by any other entity; nor is the City accountable for any other entity required to be included in the City's annual financial report.

Basic Financial Statements:

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting model's focus is on either the City as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. In the government-wide Statement of Net Position, both the

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines and forfeitures, licenses and permits fees, service assessments, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

This government-wide focus is more on the substantiality of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. For the most part, the effect of interfund activity has been removed from the government-wide statements. Interfund activities relating to services provided and used between functions are not eliminated.

The fund financial statements' emphasis is on the major funds in either the governmental or business-type categories. Any non-major funds (by category) or fund type would be summarized into a single column.

The governmental major fund financial statements and the individual fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of the model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, (by category). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Basis of Presentation:

The accounts of the City of Yerington are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenditures (or expenses, as appropriate). Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The model, as defined in GASB Statement No. 34, establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Management may also elect to designate a fund, which does not meet the criteria, as a major fund. When applicable, nonmajor funds are be combined in a single column in the fund financial statements. Since the City has a limited number of funds, all of the City's funds are considered major funds as follows:

Major Funds:

Governmental Major Funds

- (1) The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- (2) The Municipal Court Administrative Assessment Fund accounts for a special court assessment for the use in the court system.
- (4) Special Revenue Fund is used to account for the proceeds from specific revenue sources that are legally restricted to expenditures for specific purposes.
- (6) The Fixed Asset Acquisition Fund is used to accumulate resources for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Major Funds

- (1) The Water Utility Fund accounts for water utility activities within the City limits of Yerington, Town of Mason, and surrounding areas.
- (2) The Sewer Utility Fund accounts for sewer utility activities within the City limits of Yerington.
- (4) The Crystal Clear Water Fund accounts for water utility activities in an area of East Mason Valley, Nevada.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
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Basis of Accounting:

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applies.

The Government-wide Financial Statements and the Proprietary Combining Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Governmental Funds:

The City of Yerington maintains its accounting records for all Governmental Funds on the modified accrual basis of accounting as defined by the Governmental Accounting Standards Board (GASB). This method provides for recognizing expenditures, other than accrued interest on general long-term obligations, at the time liabilities are incurred, while revenues are recorded when measurable and available to finance expenditures of the fiscal period. Available is defined as being due and collected within the current period or within 60 days after year-end. 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.

Most major sources of revenues reported in Governmental Funds in the Governmental Fund Financial Statements are susceptible to accrual under the modified accrual basis of accounting. A summary of revenue recognition policies for all major revenue sources is as follows:

Financial Reporting Income Recognition Policies

<u>Type of Revenue</u>	<u>Accrued When Available To Finance Current Operations</u>	<u>Recognized When Received</u>	<u>Accrued When Earned</u>
Property Taxes	X		
Consolidated Tax Distribution	X		
Licenses and Permits		X	
Fines and Forfeits		X	
Motor Vehicle Fuel Taxes	X		
State Gaming License Fees	X		
Interest			X
Grants			X
Miscellaneous Revenue		X	

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Governmental funds in the Governmental Fund Financial Statements are accounted for on a spending or “financial flow” measurement focus. As such, only current assets and current liabilities are generally included on their balance sheets.

Proprietary Funds:

The Enterprise Funds (Water, Sewer, and Crystal Clear Water Utility Funds) are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Budgets and Budgetary Accounting

Budget Policies:

The City of Yerington adheres to the Local Government Budget Act incorporated within state 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 of each year, the budget officer shall prepare, or the governing body shall cause to be prepared, on appropriate forms prescribed by the Department of Taxation for the use of local governments, a tentative budget for the ensuing fiscal year. The tentative budget must be filed for public record and inspection.
2. Public hearings on the tentative budget are held not sooner than the third Monday in May and not later than the last day 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 to approve the requested ad valorem tax rate.
4. Formal budgetary integration in the financial records of all funds is employed to enhance management control during the year.
5. Budgets for all funds are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP) other than the City's election to account and budget for activities required to be reported within the General Fund in two separate funds. Appropriations lapse at year-end.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
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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 the City Council, depending on established criteria. Budget augmentations in excess of original budgetary amounts may not be made without prior approval of the City Council, following a scheduled and noticed public hearing. During the year, the City Council approved one budget augmentation.

7. The above dates may be modified as necessary during years when the Nevada Legislature is in session.

In accordance with state statutes, actual expenditures may not exceed budget appropriations of the various governmental functions of the General Fund, or total appropriations of the individual Special Revenue and Capital Projects Funds. In Enterprise Funds, actual expenses may not exceed the sum of budgeted operating and nonoperating expenses.

Cash and Investments

Cash balances from all funds are combined and, to the extent practicable, invested as permitted by NRS 355.170. Investments are stated at fair market value.

Pursuant to NRS 355.170, the City may only 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.
- Securities of the United States Treasury, United States Postal Service or the Federal National Mortgage Association maturing within ten (10) years from the date of purchase.
- Negotiable certificates of deposit from commercial banks and insured savings and loan associations within the State of Nevada.
- Certain securities issued by local governments of the State of Nevada.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain short-term commercial paper issued by U. S. Corporations.
- Certain "AAA" rated mutual funds that invest in Federal securities.

Cash Restrictions

Restricted cash balances represent cash held by the entity for specific purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Allowance for Doubtful Accounts:

Each year, the year-end accounts receivable balances in the enterprise funds are reviewed and accounts believed to be uncollectible are identified. The allowance for doubtful accounts is then adjusted to equal the anticipated loss and bad debt expense is charged for estimated losses arising from the current year's operation. Subsequently, the governing board reviews this list of uncollectible accounts and if they agree the accounts are uncollectible and should be written off, the receivable is charged against the allowance for doubtful accounts. Allowance for doubtful accounts at June 30, 2017 for all Enterprise Funds is \$15,925.

Interest Earned on Investments

Interest earned is allocated to the utility funds based upon the proportions of the utility funds' cash balances to the total City cash. All other interest income is recognized in the Fixed Asset Acquisition Fund.

Inventory of Consumable Supplies

All funds, except the enterprise funds, account for materials and supplies inventories as expenditures using the "purchase method", whereby inventories are recorded as expenditures when they are purchased. Enterprise funds account for inventories using the "consumption method" which reclassifies inventories as expenditures when they are used. Enterprise Fund inventories are valued at cost, on a first-in first-out basis as identified by a physical inventory count at year-end.

Capital Assets

Capital assets purchased in all governmental funds are recorded in the Governmental Fund Financial Statements as expenditures at the time of purchase and capitalized at historical cost in the government-wide financial statements. Proprietary funds capitalize fixed assets at historical cost. Interest costs incurred during the construction of capital assets are capitalized as part of the cost of construction (if material). Donated assets are recorded at their estimated fair market value on the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Public domain (infrastructure) fixed assets, consisting of improvements such as curbs and gutters, streets and sidewalks, and bridges are valued at historical cost or estimated historical cost. The capitalization threshold for all types of fixed assets is \$5,000. Depreciation is provided in an amount sufficient to allocate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type are as follows:

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Capital Assets (continued)

Buildings and other improvements	10-50 years
Wells and distribution systems	20-60 years
Treatment and collection systems	10-50 years
Equipment	5-20 years
Streets	25 years
Sidewalks, curb & gutter, storm drains, and traffic signals	50 years

Property Taxes

All real property in the City of Yerington is assigned a parcel number by the County Assessor in accordance with state laws, 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 property and its improvements are assessed at 35% of "taxable value" as defined by statute. The amount of tax levied is developed by multiplying the assessed value by the City's tax rate. The maximum tax rate was established in the State Constitution at \$5.00 per hundred dollars of assessed valuation; however, as a result of the 1979 legislature session, the tax rate was further limited to \$3.64 per hundred dollars of assessed valuation unless an additional rate is approved by the electorate.

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

Taxes may be paid in four installments payable on the third Monday in August, and the first Mondays in October, January, and March to the Treasurer of Lyon County in which the City of Yerington is located. 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 by the County and the tax is computed using percentages of taxable values established by the Department of Taxation and tax rates described above.

The major classifications of personal property are commercial, mobile homes, aircraft and agricultural.

Taxes Receivable, delinquent

Secured roll property taxes receivable reflect only those taxes receivable from the delinquent roll years. No provision for uncollectible accounts has been established since management does not anticipate any material collection loss in respect to the remaining balances. Amounts not collected within 60 days after year-end have been recorded as deferred revenue.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
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Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column in the statement of net assets.

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

Compensated Absence Benefits

Governmental Fund Types:

The costs involved in vacation time and sick leave benefits are not accrued as earned but are recorded as payroll costs only when the time is actually used or accumulated benefits are paid or accrued as the result of a termination of services. The liability for accrued vacation and sick leave benefits is recorded in the government-wide financial statements.

Proprietary Fund Types:

These costs are recognized as expenses when the benefits are earned.

The City of Yerington has established a compensated absence fund to accumulate resources to pay the cost of accumulated leave due upon employee retirement. The City has suspended its annual contributions to the fund.

Net Position

Net Position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net positions comprise various net earnings from operating and non-operating revenues and expenses, and contributions of capital. Net positions are classified in the following three components: net investment in capital assets, restricted and unrestricted net position. Investment in capital assets consists of all capital assets, net of accumulated depreciation, reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from that determination. Restricted net position consists of assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities. Unrestricted consists of all other net position not included in the above categories. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Fund Balance

In the governmental fund financial statements, governmental funds report up to five components of fund balance, as applicable. These five classifications are: nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance is reserved for portions of net resources that cannot be spent because of their form, such as inventories or prepaid items, or that cannot be spent because they must be kept intact. Restricted fund balance is reserved for the portion of net resources that have externally enforceable limitation on use, such as those imposed by creditors, grantors, contributors, or laws enacted by external entities. Committed fund balance is reserved for the portion of net resources that have had self-imposed limitations set in place by formal action of the governing board. Assigned fund balance is reserved for the portion of net resources that have an intended use established by the governing board or a designated official. Unassigned fund balance is for that portion of net resources that does not meet the criteria to be placed in any of the other four components of fund balance.

Capital Contributions

Contributions are recognized in the Statement of Revenues, Expenses and Changes in Net Position when earned. Contributions normally include capital grants and customer funded system improvements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water and sewer activities. Operating expenses are necessary costs incurred to provide the goods or services which is the primary activity of the fund. Revenues and expenses which do not meet these criteria are considered non-operating and are reported as such.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grant Revenue

Grant revenues received before the revenue recognition criteria established by the Governmental Accounting Standards Board have been met are reported as deferred inflow of resources.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Cost Allocations

A number of employees provide service to multiple departments and funds. The City allocates the respective labor cost based on management's estimates established at the beginning of each fiscal year. Public works employees are the primary group whose costs are allocated. These employees serve the various enterprise funds as well as the public works departments within the general fund. The City also allocates administrative employee costs to enterprise funds.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Nevada Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflow of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflow of resources or deferred outflow of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflow of resources or deferred outflow of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period or recognition.

Deferred Inflows and Outflows of Resources

Transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods are reported as either a deferred inflow of resources or deferred outflow of resources in the statement of net position.

Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Such information can only be obtained by referring to the June 30, 2016 audit report.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 2 - Cash and Investments:

The City of Yerington maintains all of its cash and investments in bank accounts and time certificates of deposits. The City's cash balance is maintained at Wells Fargo Bank and at Financial Horizons Credit Union, both of which are fully covered by FDIC insurance and collateral pledged to the City of Yerington accounts. The collateral pledged consists of obligations insured or guaranteed by the U.S. Government and its agencies.

The following schedule summarizes cash and investments for the City of Yerington at June 30, 2017:

Cash and Investment Balance Held By:

General Activities:

General Fund	\$ 331,095
Municipal Court Administrative Assessment Fund	12,394
Special Revenue Fund	72,178
Fixed Asset Acquisition Fund	<u>1,060,690</u>
Total General Activities Cash and Investments	\$ 1,476,357

Business Type Activities:

Water Utility Fund	5,398,976
Sewer Utility Fund	1,821,061
Crystal Clear Water Fund	<u>104,099</u>
Total Business-Type Activities Cash and Investments	<u>7,324,136</u>

Total Cash and Investments \$ 8,800,493

Cash Balances Classified By Depository:

Cash on Hand	\$ 300
Commercial Account:	
Wells Fargo Bank	8,715,112
Financial Horizons Credit Union	<u>85,081</u>
Subtotal Cash	<u>\$ 8,800,493</u>

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Cash and Investments (continued):

The following is a list of cash and deposits indicating collateral or insurance on these deposits:

	Carrying Amount	Bank Balance
Cash on Hand	\$ 300	\$ -
Insured (FDIC)	335,081	335,081
Uninsured but collateralized by securities held in the name of the City by its agent	8,465,112	7,481,421
	\$8,800,493	\$7,816,502

Interest Rate Risk:

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.

Credit Risk:

State law limits types of allowable investments under Nevada Revised Statutes 355.170 as listed in the accompanying Note 1.

Concentration of Credit Risk:

The City places no limit on the amount that may invest in any one issuer.

Cash Restrictions:

The Crystal Clear Water System received grant financing totaling \$2,760,986 through the Nevada Division of Environmental Protection's Board of Financing Water Projects for a line extension and new water system. Under the Board for Financing Water Projects Policy, the grantee must guarantee that funds will be available in the future for the replacement of capital improvement projects financed with grant funds based on the life of the projects. The City is required to annually deposit into a cash reserve account \$9,087 in the City Water Fund and \$13,957 in the Crystal Clear Water Fund to cover future capital costs. At June 30, 2017, cash reserve balances were \$67,774 and \$104,099 for the City Water Fund and Crystal Clear Water Fund, respectively

Cash received from customers as security deposits by the City's Water Utility Fund and Sewer Utility Fund are restricted for future refund or forfeit. The amounts at June 30, 2017 are \$5,767 and \$1,893 respectively.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 - Capital Assets:

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 639,763	\$ -	\$ -	\$ 639,763
Construction in progress	<u>-</u>	<u>208,853</u>	<u>-</u>	<u>208,853</u>
Total capital assets, not being depreciated	<u>639,763</u>	<u>208,853</u>	<u>-</u>	<u>848,616</u>
Capital assets being depreciated:				
Land improvements	2,839,694	-	-	2,839,694
Buildings and improvements	962,791	16,234	-	979,025
Equipment and vehicles	2,534,302	23,004	28,098	2,529,208
Infrastructure	<u>5,084,322</u>	<u>-</u>	<u>-</u>	<u>5,084,322</u>
Total capital assets being depreciated	<u>11,421,109</u>	<u>39,238</u>	<u>28,098</u>	<u>11,432,249</u>
Less accumulated depreciation for:				
Land improvements	1,915,528	68,064	-	1,983,592
Buildings and improvements	640,215	22,288	-	662,503
Equipment and vehicles	1,212,699	112,803	28,098	1,297,404
Infrastructure	<u>3,995,920</u>	<u>84,631</u>	<u>-</u>	<u>4,080,551</u>
Total accumulated depreciation	<u>7,764,362</u>	<u>287,786</u>	<u>28,098</u>	<u>8,024,050</u>
Total capital assets being depreciated, net	<u>3,656,747</u>	<u>(248,548)</u>	<u>-</u>	<u>3,408,199</u>
Governmental activities capital assets, net	<u>\$ 4,296,510</u>	<u>\$ (39,695)</u>	<u>\$ -</u>	<u>\$ 4,256,815</u>

Depreciation expense was charged to the following functions of the City:

Governmental Activities:	
General Government	\$ 12,153
Judicial	788
Public safety	22,424
Public works	83,762
Culture and recreation	17,668
Infrastructure	<u>150,991</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 287,786</u>

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 - Capital Assets *(continued)*:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 317,513	\$ -	\$ -	\$ 317,513
Construction in progress	<u>7,577,876</u>	<u>880,927</u>	<u>8,033,175</u>	<u>425,628</u>
	<u>7,895,389</u>	<u>880,927</u>	<u>8,033,175</u>	<u>743,141</u>
Capital assets being depreciated:				
Buildings, wells, tanks and distribution system	17,499,131	7,091,947	-	24,591,078
Treatment plant and collection system	5,888,065	143,984	-	6,032,049
Vehicles	114,567	-	-	114,567
Maintenance equipment	3,227,438	6,971	-	3,234,409
Office Equipment	<u>127,926</u>	<u>-</u>	<u>-</u>	<u>127,926</u>
Total capital assets being depreciated	<u>26,857,127</u>	<u>7,242,902</u>	<u>-</u>	<u>34,100,029</u>
Less accumulated depreciation for:				
Buildings, wells, tanks and distribution system	4,433,044	548,742	-	4,981,786
Treatment plant and collection system	3,084,324	130,679	-	3,215,003
Vehicles	108,398	702	-	109,100
Maintenance equipment	1,021,198	203,111	-	1,224,309
Office Equipment	<u>112,058</u>	<u>4,786</u>	<u>-</u>	<u>116,844</u>
Total accumulated depreciation	<u>8,759,022</u>	<u>888,020</u>	<u>-</u>	<u>9,647,042</u>
Total capital assets being depreciated, net	<u>18,098,105</u>	<u>6,354,882</u>	<u>-</u>	<u>24,452,987</u>
Business-type activities capital assets, net	<u>\$25,993,494</u>	<u>\$ 7,235,809</u>	<u>\$ 8,033,175</u>	<u>\$25,196,128</u>

Depreciation expense of \$888,020 was charged to the public works - utilities function of the City.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 4 – Enterprise Fund Obligations:

The following long-term obligations of the enterprise funds are outstanding at June 30, 2017.

Crystal Clear Water Utility Fund

The City obtained a forty-year \$500,000 loan, dated June 1, 2011, from the United States Department of Agriculture - Rural Development for improvements to the water system. Payments of \$2,170, including interest at a rate of 4.25% per annum are due each month until April 2050. The debt service payments were paid from net revenues of the Crystal Clear Water Utility Fund.

On of January 26, 2017, the City elected to prepay the outstanding balance of \$463,782.47 in order to save future interest costs of \$402,598. The prepayment was funded impart by a \$187,037 cash advance from the Water Utility Fund.

Changes in Business-Type Activities Long-term Obligations:

	Balance July 1, 2016	Obligations Issued	Obligations Retired	Balance June 30, 2017	Due Within One Year
Long-Term Debt:					
Crystal Clear revenue bonds	\$ 466,881	\$ -	\$ 466,881	\$ -	\$ -
Compensated absences	25,176	2,615	-	27,791	-
Net Pension Liability	868,148	65,682	-	933,830	
OPEB liability	<u>160,235</u>	<u>-</u>	<u>61</u>	<u>160,174</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$1,520,440</u>	 <u>\$ 68,297</u>	 <u>\$ 466,942</u>	 <u>\$1,121,795</u>	 <u>\$ -</u>

Note 5 - General Long-Term Debt:

Governmental Activities:

The estimated value of the accrued compensated absences liability at June 30, 2017 was \$48,903. This balance includes the value of the general government's annual leave and sick leave, which is earned at a rate based upon an employee's longevity with the City. An employee may carry forward unused annual leave, not exceeding 30 days as of the employee's anniversary date, to the next year. The City has adopted a sick leave payback policy based on several factors; ten years of continuous service and employees' vesting in the PERS retirement system with amounts paid for those employees in excess of 30 days upon retirement, not to exceed \$1,000.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 5 - General Long-Term Debt (continued):

Changes in Governmental Activities Long-term Debt:

	Balance July 1, 2016	Obligations Issued	Obligations Retired	Balance June 30, 2017	Due Within One Year
Long-Term Debt:					
Compensated absences	\$ 43,673	\$ 5,230	\$ -	\$ 48,903	\$ -
Net Pension Liability	1,142,915	86,476	-	1,229,391	-
OPEB liability	<u>170,320</u>	<u>-</u>	<u>71</u>	<u>170,249</u>	<u>-</u>
 Total Long-Term Obligations	 <u>\$1,356,908</u>	 <u>\$ 91,706</u>	 <u>\$ 71</u>	 <u>\$1,448,543</u>	 <u>\$ -</u>

The lawful City general obligation debt limit at June 30, 2017 was \$18,899,408 (NRS 266.600), which leaves a statutorily-available borrowing capacity of \$18,899,408 since the City does not have any general obligation bonds outstanding.

Note 6 - Contracts and Agreements:

The City has entered into several inter-local government agreements. Brief descriptions of the agreements are provided below.

Lyon County Ad Valorem Tax Agreement

In accordance with an agreement dated July 1, 2007, between the City and Lyon County, \$200,000 of the County's annual consolidated tax revenue shall be paid to the City of Yerington in consideration for the City's previous surrender of ad valorem tax rate to the County. The agreement was renewed July 1, 2010, and shall automatically renew on each subsequent three year term thereafter unless terminated by either party upon 60 days notice. The amount is reported as intergovernmental revenue in the General Fund.

Fire Protection and Ambulance Service

Fire protection, emergency medical, and other related services are provided to the City of Yerington by the Mason Valley Fire Protection District in accordance with an agreement effective July 1, 1993. The fee for such service is determined each fiscal year and based on the preceding year's fee adjusted by changes in the City's assessed valuation and Mason Valley Fire Protection District's ad valorem tax rate. The amount paid for fiscal year 2017 was \$140,270 and is reported within the General Fund's public safety function.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 - Contracts and Agreements *(continued)*:

County Parks Agreement

Park and recreation facilities located within the City of Yerington were previously provided jointly by Lyon County and the City. Effective April 16, 1992, the City agreed to provide all the services, personnel and equipment which are necessary to operate and maintain the parks and the County agrees to pay the City an amount agreed to by both entities each year. The amount should equal, as nearly as possible, the percentage of budgeted appropriation allocated by the County for parks that the assessed value of the property in the City and Mason Valley Fire Protection District bears to the assessed value of all property in the County. If no agreement is reached, then the amount will be the amount provided in the previous fiscal year. The amount received in fiscal year 2017 was \$40,000.

Water and Wastewater Agreements with Willowcreek General Improvement District

Effective January 1, 2005, the City of Yerington began overseeing daily operations of the water and wastewater systems owned by the Willowcreek General Improvement District. In accordance with the agreement, The City bills and collects fees and is responsible for most system repairs and maintenance. User fees are remitted to the District monthly and the District compensates the City a fixed amount each six months. The City received \$19,000 and \$29,000 for operating the water and sewer wastewater systems respectively. Compensation and costs associated with operating the District's utility systems are included within the City's Water Utility Fund and Sewer Utility Fund.

In addition to agreements with other local governments, the City has the following agreements outstanding at June 30, 2017 with private companies.

Nevada Copper Inc. - Water Service Agreement

The City of Yerington has entered into an agreement with Nevada Copper, Inc. to reserve 3,500 acre feet of water for future use in a proposed mining operation in exchange for semi-annual payments of \$43,750 until such time that Nevada Copper, Inc. begins using the water. The agreement also specifies the future use fees to be charged. The agreement, dated August 10, 2009, is for a period of thirty years and revenues are credited to the Water Utility Fund.

Atlantic Richfield Co. - Water Line Extension – Phase II

On June 26, 2017, the City signed an agreement on Phase 2 Residential Work to provide water service to the Sunset Hills residential area for additional eleven new customers with all costs to be paid by Atlantic Richfield Co. The estimated cost of this project is \$53,000. Phase I of the Sunset Hill water line project was completed in August of 2016 at a total cost of \$8,023,564.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 - Defined Benefit Pension Plan:

General Information about the Pension Plan

Plan description: All permanent full time employees are provided pensions through the Public Employees Retirement Plan (PERS). The plan is a cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement System of Nevada. Chapter 286 of the Nevada Revised Statutes (NRS) establishes a governing board, appointed by the Governor that is responsible for managing the System, including arranging for a biennial actuarial valuation and adoption of actuarial tables and formulas prepared and recommended by the actuary.

Benefits provided: Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed at 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575-.579.

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with ten years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, or any age with thirty years of service.

Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Defined Benefits Pension Plan (continued):

Contributions: The authority for establishing and amending the obligation to make contributions, and member contribution rates, is set by statute. The contribution rates are based on biennial actuarial valuations and expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan provides for matching employee and employer contributions (EEC), while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan.

The City has elected the EPC plan for all employees. The District's contributions to the plan was \$287,380 for the year ended June 30, 2017. The respective rates on which contributions for EPC plans were based were 40.5% of covered compensation for police/fire members and 28.0% for other members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a liability of \$2,163,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the plan's net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities for the year ended June 30, 2016. At June 30, 2016, the City's proportion of the plan was .01607% while the prior year's proportionate rate was .01755%.

For the year ended June 30, 2017, the City recognized pension expense of \$153,640 and \$117,519 in its governmental and business-type activities respectively. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Defined Benefits Pension Plan (continued):

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Difference between expected and actual experience	\$ -	\$ -	\$ 82,323	\$ 62,532
Net difference between projected and actual earnings on pension plan investments	114,288	86,812	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>42,980</u>	<u>32,647</u>	<u>91,716</u>	<u>69,666</u>
	<u>\$157,268</u>	<u>\$119,459</u>	<u>\$174,039</u>	<u>\$132,198</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Year Ended June 30:		
2016	\$ 19,192	\$ 13,415
2017	19,192	13,415
2018	(32,455)	(28,874)
2019	(12,179)	(9,592)
2020	15,057	17,677
Thereafter	<u>7,964</u>	<u>6,698</u>
	<u>\$ 16,771</u>	<u>\$ 12,739</u>

In addition, \$176,721 and \$120,972 are reported as deferred outflows of resources related to pensions in the governmental and business-type activities and represent the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability reported as of June 30, 2018.

Actuarial assumptions: The actuarial assumptions were based on the results of an experience review completed in 2013. When measuring the total pension liability, GASB uses the same actuarial cost method, all actuarial assumptions, and the same type of discount rate as PERS uses for funding.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Defined Benefits Pension Plan (continued):

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation rate	3.5%
Payroll growth	5%, including inflation
Investment rate of return	8.0%
Productivity pay increases:	0.75% Plus
Projected salary increases	Regular: 4.6% to 9.75%, depending on service Police/Fire 5.25% to 14.5%, depending on service Rates include inflation and productivity increases
Consumer Price Index:	3.50%
Other assumptions	Same as those used in the June 30, 2016 funding actuarial valuation

The Board evaluates and establishes expected real rates of return (expected returns, net of investment expenses and inflation) for each asset class. The Board reviews these capital market expectations annually. The PERS's current long-term geometric expected real rates of return for each asset class included in the plan's investment portfolio as of June 30, 2016, are included in the following table:

<u>Asset Class</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
Domestic Equity	5.50%
International Equity	5.75%
Domestic Fixed Income	0.25%
Private Markets	6.80%

*As of June 30, 2016, PERS' long-term inflation assumption was 3.5%.

Discount Rate: The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 – Defined Benefits Pension Plan *(continued)*:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
\$3,170,859	\$2,163,221	\$1,324,878

Note 8 – Postemployment Benefits Other Than Pensions (OPEB):

The City offers post-employment health benefits to its retirees under two plans on the pay-as-you-go basis. Accordingly, the City has implemented GASB No. 45 prospectively, beginning with the year ended June 30, 2010. Actuarial studies are done periodically to determine the OPEB liability. The most recent valuation was performed for June 30, 2017.

Plan Information

Nevada Public Employees' Benefits Program:

The City contributes to an agent multiple-employer defined healthcare plan, Nevada Public Employees' Benefits Program (PEBP). PEBP is administered by the State of Nevada pursuant to NRS 287. City retirees previously had the option to join the PEBP offered by

the State of Nevada. 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. As of June 30, 2017, twelve City retirees were covered by this benefit plan. The PEBP issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Benefit Program, 901 South Stewart Street, Suite 1001, Carson City, Nevada 89701. The information is also available on their website at www.pebp.state.nv.us or by calling (800)326-5496.

City of Yerington Health Care Plan:

The City administers a single-employer defined benefit healthcare plan for eligible employees, retirees and their dependents. The program provides health, vision, dental and life insurance benefits. Any retiree eligible to receive benefits from the Nevada Public Employees Retirement System is eligible to participate.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8– Postemployment Benefits Other Than Pensions *(continued)*:

Funding Policy:

Nevada Public Employees' Benefits Program:

The contributions to Nevada Public Employees' Benefits Program are established and may be amended by the Board of the Public Employee's Benefits Program. The amount of subsidy for City retirees is billed monthly. Amounts contributed by retirees are paid directly to the State of Nevada and, as such, are not available. The required contribution is based on projected pay-as-you-go financing requirements. The City has not elected the option to pay additional amounts into a qualified trust to prefund benefits.

City of Yerington Health Care Plan:

The City pays the full cost of active employee coverage. Employees pay the full cost of any optional dependent coverage and retirees pay the full cost of their personal and dependent coverage. Claims experience of employees and retirees are pooled when determining premiums and retiree and active employees pay the same rates. Therefore, an "implicit" subsidy of retirees cost by active employees could result. A separate report is not issued for the plan.

Annual OPEB Cost and OPEB Liability:

As of June 30, 2016, the effective date of the OPEB valuation, the number of retiree participants in PEBP was 13 and no retirees participated in the City plan. There were 21 active employees participating in the City's plan. Because of the sun setting of the PEBP's enrollment, effective November 29, 2008, the number of retirees participating in that plan will decrease.

The annual OPEB cost is calculated based on the annual required contribution to the employer (ARC), an amount actuarially determined in accordance with the Alternative Measurement Method as described in 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 for the current year and the related information for both plans is as follows:

Annual required contribution	\$ 58,426
Interest on Net OPEB obligations	9,917
Adjustments to annual required contributions	<u>(16,374)</u>
Annual OPEB cost	51,969
Contributions made	<u>(52,101)</u>
Increase in net OPEB obligation	(132)
Net OPEB obligation, beginning of the year	<u>330,555</u>
Net OPEB obligation, end of the year	<u>\$ 330,423</u>

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8– Postemployment Benefits Other Than Pensions *(continued)*:

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligations (assets) by the plan, for the fiscal year 2017 were as follows:

Annual OPEB Cost	\$ 51,969
Employer contributions	<u>(52,101)</u>
Net OPEB Contributions	<u>\$ (132)</u>
Percentage of annual OPEB cost contributed	100.3%

Funding Status and Funding Progress

Actuarial accrued liability (a)	\$ 968,512
Actuarial value of plan assets (b)	<u>-</u>
Unfunded actuarial accrued liability (a) – (b)	<u>\$ 968,512</u>
Funding ratio (b)/(a)	0%
Covered payroll (c)	\$ 1,020,835
Unfunded actuarial accrued liability as a Percentage of covered payroll (a) – (b)/(c)	94.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information will provide multi-year trend information that will show, in future years, whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan 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 to that point. Projections of benefits for financial reported purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. 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 the actuarial value of assets, consistent with the long-term perspective of the calculation.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 – Postemployment Benefits Other Than Pensions: *(continued)*

Significant methods and assumptions are as follows:

Actuarial valuation date	July 1, 2016	
Actuarial cost method	Projected Unit Credit (Alternative Measurement Method as described in GASB 45)	
Amortization method	Level % Dollar	
Amortization period (in years)	30	
Asset valuation method	No assets in trust	
Actuarial assumptions:		
Investment rate of return	n/a	
Projected salary increases	n/a	
Healthcare trend (by fiscal year)		
	<u>PPO</u>	<u>HMO</u>
2017	8.00%	6.80%
2018	7.67%	6.60%
2019	7.33%	6.40%
2020	7.00%	6.20%
2021	6.67%	6.00%
2022	6.33%	5.80%
2023	6.00%	5.60%
2024	5.67%	5.40%
2025	5.33%	5.20%
2026	5.00%	5.00%
2027 and subsequent	5.00%	5.00%

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9- Fund Equity:

Net position includes the following restricted amounts at June 30, 2017.

Nevada Division of Environmental Protection grant (AB-198)
requires annual contributions of \$23,044 to a Capital
Reserve account held for future improvements. \$ 171,873

At June 30, 2017, the governmental funds had the following fund balance classified as follows.

Part of the General Fund's year-end balance is
represents fuel inventory and therefore non-spendable. \$ 13,667

Part of the City Governmental Funds' year-end balances
are committed for:

General Fund – Drug forfeiture monies	\$ 1,897
General Fund – Compensated absences	32,125
Municipal Court Administrative Assessments	9,365
Special Revenue Fund	61,829
Fixed Asset Acquisition Fund	<u>1,061,892</u>

\$ 1,167,108

Part of the General Fund's year-end balance fund balance
been assigned as a financial resource for the
subsequent year's appropriations. \$ 184,064

Note 10 – Tax Abatements:

City consolidated tax distributions were reduced by \$12,179 under agreements entered into by the State of Nevada. The agreements provide for a partial abatement of sales and use taxes imposed on eligible machinery or equipment used by certain new or expanded businesses.

Note 11 - Business License Fees:

The following schedule summarizes all fees imposed by the City of Yerington, which are subject to the provisions of NRS 354.5989. The City's basic business license fee did not increase from the previous year. The population index had no increase and the consumer price index increased by 1.7%.

	Adjusted Base 6-30-16		Percent Increase CPI Index		FY 2017 Maximum Allowed Revenue	FY 2017 Actual Revenue Received	Over (Under) Allowable Amount
Business Licenses	<u>\$125,751</u>	X	<u>1.25%</u>	=	<u>\$127,323</u>	<u>\$ 96,428</u>	<u>\$ (30,895)</u>

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 – Transfers In and Out:

A summary of transfers is as follows:

	<u>Transfers – In</u>	<u>Transfers – Out</u>
General Fund	\$ -	\$ 52,442
Fixed Asset Acquisition Fund	<u>52,442</u>	<u>-</u>
	<u>\$ 52,442</u>	<u>\$ 52,442</u>

Note 13 - Regional Highways and Street Revenues:

The City participates in the optional nine-cent (\$.09) gasoline tax to fund Lyon County’s Regional Highway and Street Fund. The Fund is administered by a Regional Transportation Commission composed of a five-member board of which the City has one representative. The revenues derived from this fund are remitted to Lyon County for proper accounting. The City receives an allocation of the nine-cent tax revenue based on its total assessed valuation compared with the total assessed valuation of the County. Nevada Revised Statutes 373.150 requires any funds not disbursed currently in aid of an approved project shall remain in the fund to the credit of the City. At June 30, 2017, there were funds in the amount of \$487,642 reserved in Lyon County's Regional Highway and Street Fund for the sole use by the City of Yerington. The Regional Transportation Commission must first approve a project plan before any funds will be released to the City. The City recognizes these revenues only upon meeting the revenue recognition criteria as stated in Note 1. In addition, Lyon County holds Road Construction Tax totaling \$58,913 for the benefit of the City.

Note 14 - Supplemental Disclosure of Cash Flow Information:

The following schedule details interest paid by the City’s Utility Funds during the year:

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Crystal Clear Water</u>
Interest paid	<u>\$ -</u>	<u>-</u>	<u>\$ 11,595</u>

Note 15 - Subsequent Event:

On May 8, 2017, the City Council voted to consolidate the Crystal Clear Water Fund into the Water Utility Fund, effective July 1, 2017. In anticipation of the consolidation, the Water Utility Fund made a cash advance to the Crystal Clear Water Fund to allow the prepayment of the U.S.D.A. loan on January 26, 2017. This advance will be eliminated with the upcoming consolidation.

Management has evaluated subsequent events through October 21, 2017, which is the date the financial statements were available to be issued.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 16 - Contingencies:

Federal and State Grants

The City received grants from the Federal government, passed through State agencies. These grants may be subject to compliance audits by the grantor agencies and ultimate retention of these monies is contingent upon satisfying the grantors that proper procedures were followed and that the resources were spent in accordance with grant requirements.

Claims and Lawsuits

Lawsuits are occasionally filed against the City of Yerington. The financial impact of these actions, if any, is not determinable at June 30, 2017. However, the City believes it has adequate insurance to cover any potential judgments should a judgement ever arise.

Note 17 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters as are all entities. The City has joined together with similar public entities (cities, counties, school districts, 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 106 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 property loss coverage for its members up to \$200,000 per insured event. The Pool obtains independent coverage for insured events in excess of the \$200,000 limit. The Pool also is considered a self-sustaining risk pool that will provide coverage for its members up to \$500,000 per casualty insured event. The Pool obtains independent coverage for insured events in excess of the \$500,000 limit.

The City has joined together with similar public entities (cities, counties, school districts, and special districts) throughout the State of Nevada to create a pool under the Public Agency Compensation Trust. The Pool is considered a public-entity risk pool currently operating as a common-risk management and insurance program providing workman's compensation benefits for its 76 members.

The City continues to carry commercial insurance for other risks of loss such as employee health and accident insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF YERINGTON, NEVADA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 18 - Major Commitments:

On August 14, 2017, the City entered into a construction contract totaling \$2,614,000 with Q & D Construction to resurface the airport runways with an estimated project completion date of late spring 2018. The City previously awarded the preliminary design and engineering contract to Farr West Engineering in the amount of \$225,000. As of June 30, 2016, Farr West Engineering had incurred costs of \$208,583 with a remaining balance of \$16,417. The City has been awarded a Federal Aviation Administration grant which cover 95% of total cost with a required 5% matching funds from the City.

On March 27, 2017 the City was awarded two USDA Rural Development Grants on the Yerington Colony Tribe Water and Sewer Line Replacement project in the amount of \$1,476,000 and \$1,248,000, respectively. Farr West Engineering was awarded a \$350,750 preliminary design and engineering contract with cost incurred at June 30, 2017 of \$91,484 leaving a remaining contract balance of \$259,266. These two USDA Rural Development grant awards provide for 100% funding of said project costs with construction anticipated in the spring of 2018.

On March 27, 2017, the City signed a letter of intent with USDA Rural Development to obligate financing with both loan and grant funding for the City Water and Sewer Line Replacement Project. The estimated total cost of the City Water and Sewer Line Replacement Project is \$32 million dollars. USDA Rural Development has obligated \$17,253,000 in loans for the City Water Line Project in two separate loans of \$9,901,000 and \$7,352,000. USDA Rural Development has obligated \$15,577,000 in loans for the City Sewer Line Project in two separate loans of \$8,577,000 and \$7,000,000 along with \$741,000 in grant funding. The terms of the loan require monthly payments of both interest and principal at 1.375% over a forty year period. These four USDA Rural Development bonds will be issued as revenue bonds whereas the City pledges to generate sufficient user fee revenues to meet debt service requirements. In anticipation of these loans, the City Council authorized rate increases effective July 1, 2017 for both water and sewer customers consisting of a water rate increase of \$2.38 from \$29.00 up to \$31.38 and a sewer rate increase of \$3.79 from \$28.00 up to \$31.79. Farr West Engineering was awarded a \$5,592,136 preliminary design and engineering contract with cost incurred at June 30, 2017 of \$142,849 leaving a remaining contract balance of \$5,449,287.

Note 19 - Compliance with Nevada Revised Statutes:

The City conformed to all significant statutory constraints on its financial administration during the year as detailed in the Independent Accountant's Report on Nevada Revised Statutes Chapter 354 Compliance Examination Report found on page 91.

CITY OF YERINGTON, NEVADA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF OTHER POST-EMPLOYMENT BENEFITS -
FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
JUNE 30, 2017

Schedule of OPEB Funding Progress

Plan Name	Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
PEBP/City	2011	06/30/2011	-	\$ 2,787,462	\$ 2,787,462	-	\$1,139,701	244.6%
PEBP/City	2012	06/30/2011	-	2,787,462	2,784,462	-	1,120,513	248.5%
PEBP/City	2013	06/30/2013	-	1,197,553	1,197,553	-	958,150	125.0%
PEBP/City	2014	06/30/2013	-	1,197,553	1,197,553	-	905,997	132.2%
PEBP/City	2015	06/30/2013	-	1,197,553	1,197,553	-	977,071	122.6%
PEBP/City	2016	06/30/2016	-	968,512	968,512	-	969,719	99.9%
PEBP/City	2017	06/30/2016	-	968,512	968,512	-	1,020,835	94.9%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
PEBP/City 2011	\$ 142,214	\$ 34,606	24.3%
PEBP/City 2012	142,214	38,993	27.4%
PEBP/City 2013	80,901	63,734	78.8%
PEBP/City 2014	80,901	63,733	78.8%
PEBP/City 2015	80,911	74,247	91.8%
PEBP/City 2016	58,426	53,380	91.4%
PEBP/City 2017	58,426	52,101	89.2%

CITY OF YERINGTON, NEVADA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS
NEVADA PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2017

	2015	2016	2017
<u>Schedule of Proportionate Share of the Net Pension Liability</u>			
City's proportion of the net pension liability	0.01716%	0.01755%	0.01607%
City's proportionate share of the net pension liability	\$ 1,788,913	\$ 2,011,063	\$ 2,163,221
City's covered-employee payroll	\$ 854,015	\$ 867,725	\$ 855,015
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	74.3%	231.8%	253.0%
Plan fiduciary net position as a percentage of the total pension liability	76.3%	75.1%	72.2%

* The above amounts presented for each fiscal year have a measurement date of June 30 of the preceding year.

Schedule of Employer Contributions

Statutorily required employer contribution	\$ 272,883	\$ 273,609	\$ 287,380
Contributions in relation to the statutorily required contribution	272,883	273,609	287,380
Contribution deficiency	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 867,725	\$ 855,015	\$ 878,891
Contributions as a percentage of covered payroll	31.4%	32.0%	32.7%

CITY OF YERINGTON, NEVADA
FIXED ASSET ACQUISITION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Revenues					
Taxes					
County capital project tax	\$ 500	\$ 500	\$ 36	\$ (464)	\$ 1,240
Other Local Revenues					
Nevada Copper, land transfer	-	-	-	-	2,016,696
Interest income	80	80	730	650	842
Total Other Revenues	80	80	730	650	2,017,538
Intergovernmental					
FAA grant	3,681,250	3,681,250	183,197	(3,498,053)	-
<i>Total Revenues</i>	3,681,830	3,681,830	183,963	(3,497,867)	2,018,778
Expenditures					
General Government					
Capital outlay, land transfer	-	-	-	-	2,031,968
Capital outlay	540,000	540,000	-	540,000	-
Total General Government	540,000	540,000	-	540,000	2,031,968
Public Safety					
Capital outlay, vehicle	-	-	6,007	(6,007)	37,994
Capital outlay, safety complex	-	-	9,819	(9,819)	-
Capital outlay, radios	-	-	28,250	(28,250)	-
Total Public Safety	-	-	44,076	(44,076)	37,994
Public Works					
Capital outlay, airport	3,865,312	3,860,312	208,853	3,651,459	-
Culture and Recreation					
Capital outlay, building	-	-	-	-	10,000
Capital Outlay, mower	22,360	27,360	23,004	4,356	-
Total Culture and Recreation	22,360	27,360	23,004	4,356	10,000
<i>Total Expenditures</i>	4,427,672	4,427,672	275,933	4,151,739	2,079,962

CITY OF YERINGTON, NEVADA
FIXED ASSET ACQUISITION FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2016</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
Excess (Deficiency) of Revenues over Expenditures	\$ (745,842)	\$ (745,842)	\$ (91,970)	\$ 653,872	\$ (61,184)
Other Financing Sources					
Transfers in - General Fund	<u>52,442</u>	<u>52,442</u>	<u>52,442</u>	<u>-</u>	<u>48,247</u>
Excess of Revenues and Other Financing Sources, over Expenditures	(693,400)	(693,400)	(39,528)	653,872	(12,937)
Fund Balance, July 1	<u>1,118,542</u>	<u>1,118,542</u>	<u>1,101,420</u>	<u>(17,122)</u>	<u>1,114,357</u>
Fund Balance, June 30	<u><u>\$ 425,142</u></u>	<u><u>\$ 425,142</u></u>	<u><u>\$ 1,061,892</u></u>	<u><u>\$ 636,750</u></u>	<u><u>\$ 1,101,420</u></u>

CITY OF YERINGTON, NEVADA**WATER UTILITY FUND****SCHEDULE OF NET POSITION****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)*

	<u>2017</u>	<u>2016</u>
Current Assets		
Unrestricted		
Cash	\$ 5,325,435	\$ 3,076,054
Accounts receivable, net of allowance for doubtful accounts	147,482	139,036
Due from other governments	52,168	22,570
Other receivables	62,484	1,523,175
Inventory of materials and supplies	18,098	13,586
Advance to Crystal Clear Water Fund	187,037	-
Restricted Cash		
Customer deposits	5,767	4,941
AB 198 capital reserve	67,774	58,687
	<u>5,866,245</u>	<u>4,838,049</u>
<i>Total Current Assets</i>		
Property, Plant And Equipment		
Land	11,493	11,493
Construction in progress	300,180	7,568,511
Building, wells, tanks and distribution system	21,424,458	14,332,511
Vehicles	68,558	68,558
Maintenance equipment	2,810,777	2,803,806
Office equipment	82,846	82,846
	<u>24,698,312</u>	<u>24,867,725</u>
Accumulated depreciation	<u>(5,385,646)</u>	<u>(4,755,234)</u>
	<u>19,312,666</u>	<u>20,112,491</u>
<i>Total Capital Assets</i>		
Total Assets	<u>25,178,911</u>	<u>24,950,540</u>
Deferred Outflow of Resources		
Post valuation employer contributions	69,582	68,675
Deferred outflow of resources	69,211	42,825
	<u>138,793</u>	<u>111,500</u>
Total Deferred Inflows of Resources		

	<u>2017</u>	<u>2016</u>
Liabilities		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 60,388	\$ 14,463
Construction payable	52,496	1,016,747
Accrued salaries and benefits	18,175	15,431
Due to other governments	16,977	12,395
Current liabilities payable from restricted assets:		
Customer deposits	<u>5,767</u>	<u>4,941</u>
<i>Total Current Liabilities</i>	<u>153,803</u>	<u>1,063,977</u>
Long-term liabilities:		
Accrued compensated absences	16,194	13,754
Accrued OPEB payable	90,659	90,694
Net pension liability	<u>541,029</u>	<u>502,975</u>
<i>Total Long-term Liabilities</i>	<u>647,882</u>	<u>607,423</u>
Total Liabilities	<u>801,685</u>	<u>1,671,400</u>
Deferred Inflow of Resources		
Deferred pension inflow	<u>76,591</u>	<u>90,033</u>
Total Deferred Inflow of Resources	<u>76,591</u>	<u>90,033</u>
Net Position		
Net investment in capital assets	19,312,666	20,112,491
Restricted for AB 198 capital reserves	67,774	58,687
Unrestricted (Restated)	<u>5,058,988</u>	<u>3,129,429</u>
Total Net Position	<u>\$ 24,439,428</u>	<u>\$ 23,300,607</u>

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CITY OF YERINGTON, NEVADA
WATER UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Operating Revenues					
Water use fees	\$ 1,094,591	\$ 1,094,591	\$ 1,055,569	\$ (39,022)	\$ 990,578
Meter replacement / Other charges	21,500	21,500	25,075	3,575	23,311
Less bad debts	-	-	(4,834)	(4,834)	-
<i>Total Operating Revenues</i>	<u>1,116,091</u>	<u>1,116,091</u>	<u>1,075,810</u>	<u>(40,281)</u>	<u>1,013,889</u>
Operating Expenses					
Salaries and wages	297,658	297,658	274,256	23,402	272,932
Employee benefits	159,916	159,916	133,457	26,459	116,024
Services and supplies	392,841	392,841	396,194	(3,353)	334,956
Depreciation	685,635	685,635	630,412	55,223	462,704
<i>Total Operating Expenses</i>	<u>1,536,050</u>	<u>1,536,050</u>	<u>1,434,319</u>	<u>101,731</u>	<u>1,186,616</u>
Operating Income (Loss)	<u>(419,959)</u>	<u>(419,959)</u>	<u>(358,509)</u>	<u>61,450</u>	<u>(172,727)</u>
Nonoperating Revenues (Expenses)					
Interest income	400	400	-	(400)	-
Late fees	4,000	4,000	1,929	(2,071)	767
Administrative fee	11,400	11,400	12,461	1,061	11,836
Willow Creek agreement	19,000	19,000	19,000	-	19,000
Water tank lease	12,750	12,750	11,695	(1,055)	12,320
Water rights revenue	8,000	8,000	6,880	(1,120)	5,000
Nevada Copper reservation fee	87,500	87,500	87,500	-	87,500
CDBG grant - water resource project	-	101,595	101,595	-	23,362
CDBG grant - water resource project	-	(101,595)	(101,638)	(43)	(23,362)
ARCO - customer hookup revenue	-	931,618	931,618	-	-
ARCO - customer hookup expenses	-	(931,618)	(931,618)	-	-
Miscellaneous income	1,200	1,200	-	(1,200)	1,241
Interest expense	-	-	-	-	(575)
<i>Total Nonoperating Revenues (expenses)</i>	<u>144,250</u>	<u>144,250</u>	<u>139,422</u>	<u>(4,828)</u>	<u>137,089</u>
Income (loss) before contributions	<u>(275,709)</u>	<u>(275,709)</u>	<u>(219,087)</u>	<u>56,622</u>	<u>(35,638)</u>
Capital Contributions					
ARCO - Sunset Hills Project	-	-	1,276,197	1,276,197	6,902,953
U.S.D.A. grant	-	-	42,803	42,803	-
Connect fees	-	-	38,908	38,908	34,465
<i>Total Capital Contributions</i>	<u>-</u>	<u>-</u>	<u>1,357,908</u>	<u>1,357,908</u>	<u>6,937,418</u>
Change in Net Position	<u>\$ (275,709)</u>	<u>\$ (275,709)</u>	<u>1,138,821</u>	<u>\$ 1,414,530</u>	<u>6,901,780</u>
Net Position, July 1			<u>23,300,607</u>		<u>16,398,827</u>
Net Position, June 30			<u>\$ 24,439,428</u>		<u>\$ 23,300,607</u>

CITY OF YERINGTON, NEVADA
WATER UTILITY FUND
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Cash Flows From Operating Activities					
Receipts from customers	\$ 1,116,091	\$ 1,116,091	\$ 1,127,569	\$ 11,478	\$ 1,044,730
Payments to Lyon County	(55,000)	(55,000)	(54,797)	203	(52,399)
Payments of personnel costs	(457,574)	(457,574)	(405,245)	52,329	(408,009)
Payments for service and supplies	(392,841)	(392,841)	(354,781)	38,060	(344,129)
Net Cash Provided by Operating Activities	<u>210,676</u>	<u>210,676</u>	<u>312,746</u>	<u>102,070</u>	<u>240,193</u>
Cash Flows From Noncapital Financing Activities					
Water tank lease income	12,750	12,750	11,695	(1,055)	12,320
Water right revenue	8,000	8,000	6,880	(1,120)	5,000
Willowcreek revenue	19,000	19,000	19,000	-	19,000
Nevada Copper reservation fee	87,500	87,500	87,500	-	43,750
Administrative fees	11,400	11,400	12,461	1,061	11,836
Advance to Crystal Clear Water Fund	-	-	-	-	-
CDBG grant - water resource project costs	-	-	(101,638)	101,638	(23,362)
CDBG grant revenue	-	-	114,800	114,800	10,157
ARCO reimbursements	-	-	931,618	931,618	-
Sunset Hills customer connections	-	-	(931,618)	(931,618)	-
Miscellaneous income	1,200	1,200	1,929	729	2,008
Net Cash Provided Non-Capital Financing Activities	<u>139,850</u>	<u>139,850</u>	<u>152,627</u>	<u>12,777</u>	<u>80,709</u>
Cash Flows From Capital And Related Financing Activities					
Advance to Crystal Clear Water Fund	-	-	(187,037)	(187,037)	-
Capital contributions by customers	20,600	20,600	38,908	18,308	25,100
Capital contributions by ARCO	-	-	2,736,888	2,736,888	5,481,374
Acquisition of capital assets	(93,500)	(93,500)	(794,838)	(701,338)	(5,966,682)
Principal paid on long-term debt	-	-	-	-	(334,045)
Interest paid on long-term debt	-	-	-	-	(1,810)
Net Cash (Used) by Capital and Related Financing Activities	<u>(72,900)</u>	<u>(72,900)</u>	<u>1,793,921</u>	<u>1,866,821</u>	<u>(796,063)</u>
Cash Flows From Investing Activities					
Interest income	400	400	-	(400)	-
Net Increase (Decrease) In Cash and Cash Equivalents	<u>278,026</u>	<u>278,026</u>	<u>2,259,294</u>	<u>1,981,268</u>	<u>(475,161)</u>
Cash and Cash Equivalents, July 1	4,970,568	4,970,568	3,139,682	(1,830,886)	3,614,843
Cash and Cash Equivalents, June 30	<u>\$ 5,248,594</u>	<u>\$ 5,248,594</u>	<u>\$ 5,398,976</u>	<u>\$ 150,382</u>	<u>\$ 3,139,682</u>

CITY OF YERINGTON, NEVADA
WATER UTILITY FUND
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2016</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ (419,959)	\$ (419,959)	\$ (358,509)	\$ 61,450	\$ (172,727)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	685,635	685,635	630,412	(55,223)	462,704
Net change deferred pension expense	-	-	(2,681)	(2,681)	(18,781)
Changes in assets and liabilities					
Decrease (increase) in accounts receivable	-	-	(8,446)	(8,446)	(22,545)
Decrease (increase) in inventory	-	-	(4,512)	(4,512)	1,904
Increase (decrease) in consumer deposits	-	-	826	826	(568)
(Decrease) increase in accounts payable and accrued liabilities	(55,000)	(55,000)	55,656	110,656	(9,794)
Net Cash Provided by Operating Activities	<u>\$ 210,676</u>	<u>\$ 210,676</u>	<u>\$ 312,746</u>	<u>\$ 102,070</u>	<u>\$ 240,193</u>

CITY OF YERINGTON, NEVADA**SEWER UTILITY FUND****SCHEDULE OF NET POSITION****JUNE 30, 2017***(With Comparative Totals for June 30, 2016)*

	<u>2017</u>	<u>2016</u>
Current Assets		
Unrestricted		
Cash	\$ 1,819,168	\$ 1,854,466
Accounts receivable, net of allowance for doubtful accounts of \$420 and \$420 respectively	72,237	71,831
Grant Receivable - USDA	58,046	9,365
Other receivables	7,069	-
Restricted Cash		
Customer deposits	1,893	1,638
Total Current Assets	<u>1,958,413</u>	<u>1,937,300</u>
Property, Plant And Equipment		
Land	10,120	10,120
Treatment plant and collection systems	6,032,049	5,888,065
Vehicles	46,009	46,009
Maintenance equipment	423,632	423,632
Office equipment	45,080	45,080
Construction in progress	125,448	9,365
	6,682,338	6,422,271
Accumulated depreciation	<u>(3,559,211)</u>	<u>(3,395,541)</u>
Total Capital Assets	<u>3,123,127</u>	<u>3,026,730</u>
Total Assets	<u>5,081,540</u>	<u>4,964,030</u>
Deferred Outflow of Resources		
Post valuation employer contributions	51,390	50,117
Deferred outflow of resources	50,248	31,084
Total Deferred Outflow of Resources	<u>101,638</u>	<u>81,201</u>

	2017	2016
Liabilities		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 46,830	\$ 12,698
Accrued salaries and benefits	14,824	11,526
Due to other governments	12,226	8,551
Current liabilities payable from restricted assets:		
Customer deposits	1,893	1,638
Total Current Liabilities	75,773	34,413
Long-term liabilities:		
Accrued compensated absences	11,541	11,328
Accrued OPEB payable	67,978	68,004
Net pension liability	392,801	365,173
	472,320	444,505
Total Liabilities	548,093	478,918
Deferred Inflow of Resources		
Deferred pension inflows	55,607	63,890
Net Position		
Net investment in capital assets	3,123,127	3,026,730
Unrestricted	1,456,351	1,475,693
Total Net Position	\$ 4,579,478	\$ 4,502,423

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CITY OF YERINGTON, NEVADA
SEWER UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGET AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Operating Revenues					
Sewer use fees	\$ 695,835	\$ 695,835	\$ 680,330	\$ (15,505)	\$ 649,832
Bad debts	-	-	(9,740)	(9,740)	-
	<u>\$ 695,835</u>	<u>\$ 695,835</u>	<u>\$ 670,590</u>	<u>\$ (25,245)</u>	<u>\$ 649,832</u>
Operating Expenses					
Salaries and wages	225,418	225,418	204,045	21,373	203,886
Employee benefits	118,028	118,028	103,068	14,960	85,989
Services and supplies	230,740	230,740	228,140	2,600	214,354
Depreciation	180,000	180,000	163,669	16,331	153,418
<i>Total Operating Expenses</i>	<u>754,186</u>	<u>754,186</u>	<u>698,922</u>	<u>55,264</u>	<u>657,647</u>
Operating Income (Loss)	<u>(58,351)</u>	<u>(58,351)</u>	<u>(28,332)</u>	<u>30,019</u>	<u>(7,815)</u>
Nonoperating Revenues (Expenses)					
Interest income	240	240	-	(240)	-
Late fees	2,300	2,300	1,560	(740)	-
Miscellaneous	300	300	-	(300)	-
CDBG - sewer line video grant	-	-	-	-	75,000
CDBG - sewer line video expenses	-	-	-	-	(149,776)
Willowcreek agreement	29,000	29,000	29,000	-	29,000
<i>Total Nonoperating Revenues (Expenses)</i>	<u>31,840</u>	<u>31,840</u>	<u>30,560</u>	<u>(1,280)</u>	<u>(45,776)</u>
Income (Loss) before contributions	<u>(26,511)</u>	<u>(26,511)</u>	<u>2,228</u>	<u>28,739</u>	<u>(53,591)</u>
Capital Contributions					
U.S.D.A. grant	-	-	48,681	48,681	-
Connect fees	-	-	26,146	26,146	16,965
<i>Total Capital Contributions</i>	<u>-</u>	<u>-</u>	<u>74,827</u>	<u>74,827</u>	<u>16,965</u>
Change in Net Position	<u>\$ (26,511)</u>	<u>\$ (26,511)</u>	<u>77,055</u>	<u>\$ 178,393</u>	<u>(36,626)</u>
Net Position, July 1			<u>4,502,423</u>		<u>4,539,049</u>
Net Position, June 30			<u>\$ 4,579,478</u>		<u>4,502,423</u>

CITY OF YERINGTON, NEVADA
SEWER UTILITY FUND
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Cash Flows From Operating Activities					
Receipts from customers	\$ 695,835	\$ 695,835	\$ 702,828	\$ 6,993	\$ 691,760
Payments to Lyon County	(38,000)	(38,000)	(35,783)	2,217	(38,422)
Payments of personnel costs	(343,446)	(343,446)	(304,720)	38,726	(301,737)
Payments for service and supplies	(230,740)	(230,740)	(194,007)	36,733	(240,592)
Net Cash Provided by Operating Activities	<u>83,649</u>	<u>83,649</u>	<u>168,318</u>	<u>84,669</u>	<u>111,009</u>
Cash Flows From Noncapital Financing Activities					
Miscellaneous income	2,300	2,300	1,560	(740)	-
CDBG - sewer line video grant	-	-	-	-	75,000
Payments for sewer line video project	-	-	-	-	(149,776)
Willowcreek agreement	29,000	29,000	29,000	-	29,000
Net Cash Provided by Non-Capital Financing Activities	<u>31,300</u>	<u>31,300</u>	<u>30,560</u>	<u>(740)</u>	<u>(45,776)</u>
Cash Flows From Capital And Related Financing Activities					
Capital contributions by customers	83,826	83,826	26,146	(57,680)	7,600
Capital contributions by grantors	-	-	-	-	-
Acquisition of capital assets	(12,000)	(12,000)	(260,067)	(248,067)	(214,394)
Net Cash (Used) by Capital and Related Financing Activities	<u>71,826</u>	<u>71,826</u>	<u>(233,921)</u>	<u>(305,747)</u>	<u>(206,794)</u>
Cash Flows From Investing Activities					
Interest income	240	240	-	(240)	-
Net Increase (Decrease) in Cash and Cash Equivalents	187,015	187,015	(35,043)	(222,058)	(141,561)
Cash and Cash Equivalents, July 1	<u>1,858,435</u>	<u>1,858,435</u>	<u>1,856,104</u>	<u>(2,331)</u>	<u>1,997,665</u>
Cash and Cash Equivalents, June 30	<u>\$ 2,045,450</u>	<u>\$ 2,045,450</u>	<u>\$ 1,821,061</u>	<u>\$ (224,389)</u>	<u>\$ 1,856,104</u>

CITY OF YERINGTON, NEVADA
SEWER UTILITY FUND
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2016</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ (58,351)	\$ (58,351)	\$ (28,332)	\$ 30,019	\$ (7,815)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	180,000	180,000	163,669	(16,331)	153,418
Net deferred pension expense	-	-	(1,092)	(1,092)	(13,105)
Changes in assets and liabilities					
Decrease (increase) in accounts receivable	(38,000)	(38,000)	(3,799)	34,201	3,506
Increase (decrease) in consumer deposits	-	-	255	255	(142)
(Decrease) increase in accounts payable and accrued liabilities	-	-	37,617	37,617	(24,853)
Net Cash Provided by Operating Activities	<u>\$ 83,649</u>	<u>\$ 83,649</u>	<u>\$ 168,318</u>	<u>\$ 84,669</u>	<u>\$ 111,009</u>

CITY OF YERINGTON, NEVADA
CRYSTAL CLEAR WATER UTILITY FUND
SCHEDULE OF NET POSITION
JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
Current Assets		
Unrestricted		
Cash	\$ -	\$ 218,007
Accounts receivable	7,643	8,570
Restricted Cash		
AB 198 capital reserve	104,099	90,142
USDA loan reserve	<u>-</u>	<u>26,040</u>
Total Current Assets	<u>111,742</u>	<u>342,759</u>
Property, Plant And Equipment		
Land & water rights	295,900	295,900
Building, wells, tanks and distribution	<u>3,166,620</u>	<u>3,166,620</u>
	3,462,520	3,462,520
Accumulated depreciation	<u>(702,185)</u>	<u>(608,247)</u>
Total Capital Assets	<u>2,760,335</u>	<u>2,854,273</u>
Total Assets	<u>2,872,077</u>	<u>3,197,032</u>

	<u>2017</u>	<u>2016</u>
Liabilities		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 149	\$ 158
Accrued wages and benefits	11	71
Accrued interest	-	218
Advance from Water Utility Fund	187,037	-
Current portion of bonds payable	<u>-</u>	<u>6,320</u>
Total Current Liabilities	<u>187,197</u>	<u>6,767</u>
Long-term liabilities:		
Accrued compensated absences	56	94
Accrued OPEB payable	1,537	1,537
Bonds payable, due after one year	<u>-</u>	<u>460,561</u>
Total Long-term Liabilities	<u>1,593</u>	<u>462,192</u>
Total Liabilities	<u>188,790</u>	<u>468,959</u>
Net Position		
Net investment in capital assets	2,760,335	2,387,392
Restricted for reserves	104,099	116,182
Unrestricted	<u>(181,147)</u>	<u>224,499</u>
Total Net Position	<u>\$ 2,683,287</u>	<u>\$ 2,728,073</u>

CITY OF YERINGTON, NEVADA
CRYSTAL CLEAR WATER UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Operating Revenues					
Water use fees	\$ 65,549	\$ 65,549	\$ 63,949	\$ (1,600)	\$ 60,901
Water meter replacement/Other Charges	1,388	1,388	1,025	(363)	1,005
Bad debts	-	-	(1,295)	(1,295)	-
<i>Total Operating Revenues</i>	<u>66,937</u>	<u>66,937</u>	<u>63,679</u>	<u>(3,258)</u>	<u>61,906</u>
Operating Expenses					
Salaries and wages	1,748	1,748	1,168	580	1,368
Employee benefits	831	831	627	204	694
Services and supplies	3,557	3,557	1,729	1,828	6,168
Depreciation	93,000	93,000	93,938	(938)	93,938
<i>Total Operating Expenses</i>	<u>99,136</u>	<u>99,136</u>	<u>97,462</u>	<u>1,674</u>	<u>102,168</u>
Operating Income (loss)	<u>(32,199)</u>	<u>(32,199)</u>	<u>(33,783)</u>	<u>(1,584)</u>	<u>(40,262)</u>
Nonoperating Revenues (Expenses)					
Interest income	30	30	-	(30)	-
Administrative fees/ Other Income	700	700	375	(325)	787
Interest expense	(19,720)	(19,720)	(11,378)	8,342	(19,926)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(18,990)</u>	<u>(18,990)</u>	<u>(11,003)</u>	<u>7,987</u>	<u>(19,139)</u>
Change in Net Position	<u>\$ (51,189)</u>	<u>\$ (51,189)</u>	<u>(44,786)</u>	<u>\$ 6,403</u>	<u>(59,401)</u>
Net Position, July 1			<u>2,728,073</u>		<u>2,787,474</u>
Net Position, June 30			<u>\$ 2,683,287</u>		<u>\$ 2,728,073</u>

CITY OF YERINGTON, NEVADA
CRYSTAL CLEAR WATER UTILITY FUND
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	BUDGETED AMOUNT		ACTUAL	VARIANCE	2016
	ORIGINAL	FINAL			
Cash Flows From Operating Activities					
Receipts from customers	\$ 66,937	\$ 66,937	\$ 64,606	\$ (2,331)	\$ 61,415
Payments of personnel costs	(2,579)	(2,579)	(1,893)	686	(2,053)
Payments for service and supplies	(3,557)	(3,557)	(1,738)	1,819	(6,164)
Net Cash Provided by Operating Activities	<u>60,801</u>	<u>60,801</u>	<u>60,975</u>	<u>174</u>	<u>53,198</u>
Cash Flows From Noncapital Financing Activities					
Advance from Water Utility Fund Administration fees	-	-	-	-	-
	<u>700</u>	<u>700</u>	<u>375</u>	<u>(325)</u>	<u>787</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>700</u>	<u>700</u>	<u>375</u>	<u>(325)</u>	<u>787</u>
Cash Flows From Capital And Related Financing Activities					
Advance from Water Utility Fund	-	-	187,037	187,037	-
Principal paid on long-term debt	(6,320)	(6,320)	(466,881)	(460,561)	(6,057)
Interest paid on long-term debt	(19,720)	(19,720)	(11,596)	8,124	(19,983)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(26,040)</u>	<u>(26,040)</u>	<u>(291,440)</u>	<u>(265,400)</u>	<u>(26,040)</u>
Cash Flows From Investing Activities					
Interest income	<u>85</u>	<u>85</u>	<u>-</u>	<u>(85)</u>	<u>-</u>
Net Increase In Cash and Cash Equivalents	35,546	35,546	(230,090)	(265,636)	27,945
Cash And Cash Equivalents, July 1	<u>332,904</u>	<u>332,904</u>	<u>334,189</u>	<u>1,285</u>	<u>306,244</u>
Cash And Cash Equivalents, June 30	<u>\$ 368,450</u>	<u>\$ 368,450</u>	<u>\$ 104,099</u>	<u>\$ (264,351)</u>	<u>\$ 334,189</u>

CITY OF YERINGTON, NEVADA
CRYSTAL CLEAR WATER UTILITY FUND
SCHEDULE OF CASH FLOWS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>BUDGETED AMOUNT</u>		<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2016</u>
	<u>ORIGINAL</u>	<u>FINAL</u>			
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ (32,199)	\$ (32,199)	\$ (33,783)	\$ (1,584)	\$ (40,262)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	93,000	93,000	93,938	938	93,938
Changes in assets and liabilities					
Decrease (increase) in accounts receivable	-	-	927	927	(491)
(Decrease) increase in accounts payable and accrued liabilities	-	-	(107)	(107)	13
Net Cash Provided by Operating Activities	<u>\$ 60,801</u>	<u>\$ 60,801</u>	<u>\$ 60,975</u>	<u>\$ 174</u>	<u>\$ 53,198</u>

CITY OF YERINGTON, NEVADA
Schedule of Property Tax Rates and Assessed Valuations
Last Twenty Years
(Unaudited)

FISCAL YEAR	CITY TAX RATE	ASSESSED VALUATION
2016-17	\$.4044	\$ 62,844,811
2015-16	.4044	60,903,135
2014-15	.4044	57,524,066
2013-14	.4044	56,732,755
2012-13	.4044	53,647,403
2011-12	.4044	55,656,691
2010-11	.4044	58,857,733
2009-10	.4044	64,470,671
2008-09	.4044	62,852,734
2007-08	.4044	57,998,651
2006-07	.4044	52,378,316
2005-06	.4044	42,627,093
2004-05	.4044	41,425,164
2003-04	.4044	41,832,125
2002-03	.4044	41,803,125
2001-02	.4044	41,796,083
2000-01	.3407	38,116,242
1999-00	.3236	37,951,799
1998-99	.2944	36,990,742
1997-98	.2578	36,483,187

CITY OF YERINGTON, NEVADA
Governmental Revenues and Other Financing Sources by Source⁽¹⁾
Last Ten Years
(Unaudited)

<u>Fiscal Year Ending June 30</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Intergovernmental Revenues</u>	<u>Charges For Services</u>	<u>Other Revenues</u>	<u>Other Financing Sources</u>	<u>Totals</u>
2017	\$ 312,558	\$ 335,821	\$ 975,377	\$ 89,170	\$ 64,140	\$ -	\$ 1,777,066
2016	295,252	316,683	929,979	141,187	2,064,209 ⁽²⁾	-	3,747,308
2015	307,099	297,192	1,188,242	139,547	1,171,605 ⁽²⁾	-	3,103,683
2014	295,033	333,179	849,934	189,037	40,287	-	1,707,470
2013	289,584	305,453	930,448	207,627	39,240	-	1,772,352
2012	273,462	287,970	1,984,277	216,665	34,992	6,079	2,803,445
2011	224,021	284,437	1,213,410	207,546	57,512	-	1,986,926
2010	245,629	291,418	1,492,058	204,772	41,249	-	2,275,126
2009	257,917	293,438	1,047,513	185,083	53,925	-	1,837,876
2008	225,625	352,353	1,218,664	233,732	67,406	-	2,097,780

(1) This Schedule includes revenues of the General Fund, Special Revenue Funds, and Capital Projects Fund.

(2) Significant contributions from Atlantic Richfield Company and Nevada Copper, Inc are included.

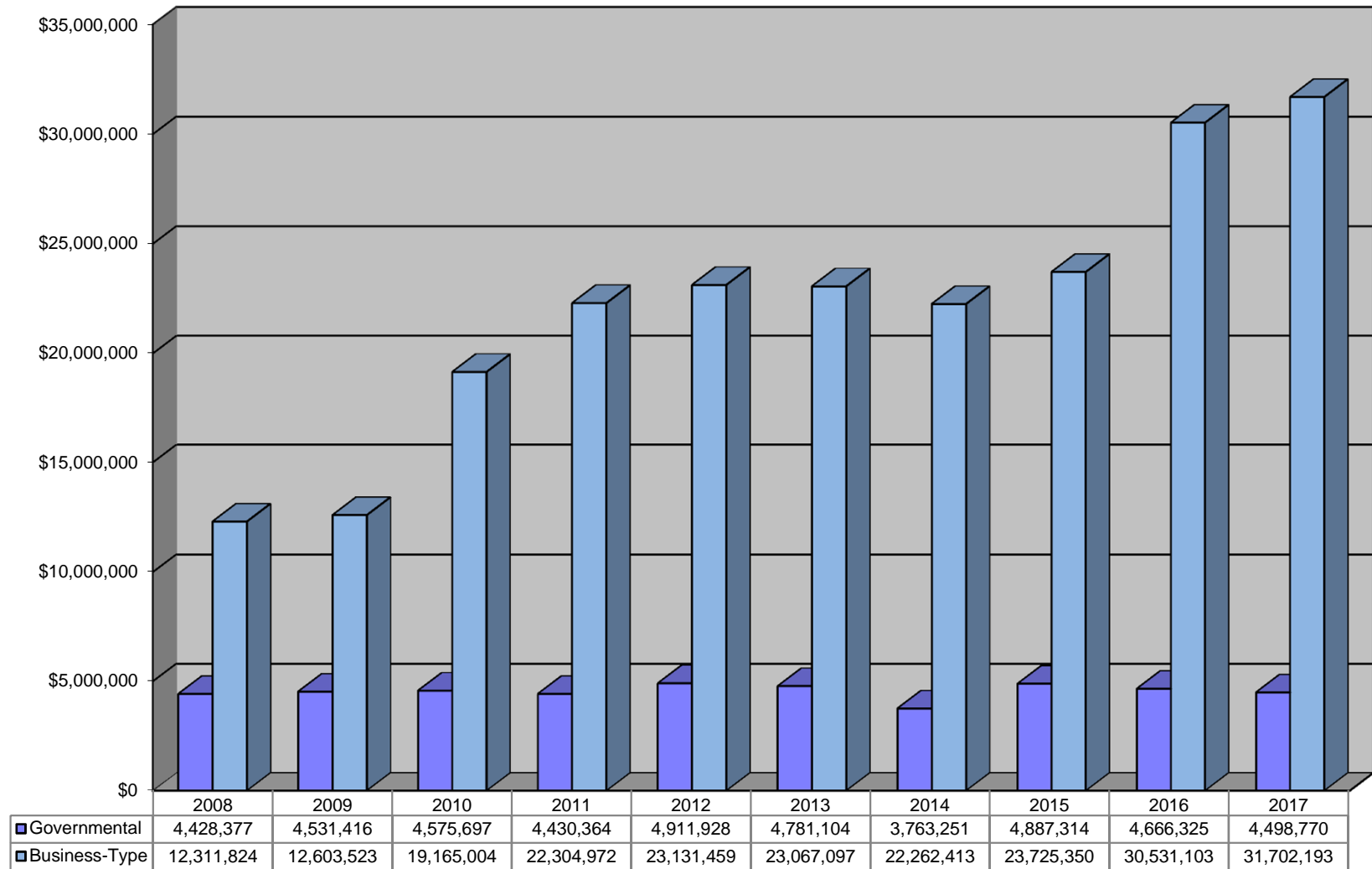
CITY OF YERINGTON, NEVADA
Governmental Expenditures by Function ⁽¹⁾
Last Ten Years
(Unaudited)

Fiscal Year Ending June 30	General Government	Judicial	Public Safety	Public Works	Culture and Recreation	Health	Debt Service	Totals
2017	\$ 330,854	\$ 89,928	\$ 951,671	\$ 415,725	\$ 119,457	\$ 15,461	\$ -	\$ 1,923,096
2016	2,352,006	75,397	906,068	382,133	99,828	11,036	-	3,826,468
2015	429,264	95,885	928,787	677,111	56,505	13,447	-	2,200,999
2014	286,085	49,772	799,852	344,146	44,512	14,950	-	1,539,317
2013	252,402	51,054	728,799	534,752	54,904	10,882	-	1,632,793
2012	235,120	42,045	786,894	1,657,718	58,104	13,621	-	2,793,502
2011	242,827	48,938	791,991	900,016	59,046	13,518	-	2,056,336
2010	297,916	49,934	883,107	1,027,487	58,669	14,951	49,655	2,381,719
2009	242,929	50,202	762,346	639,472	52,425	11,505	61,913	1,820,792
2008	261,538	41,154	669,544	908,485	69,535	18,763	61,377	2,030,396

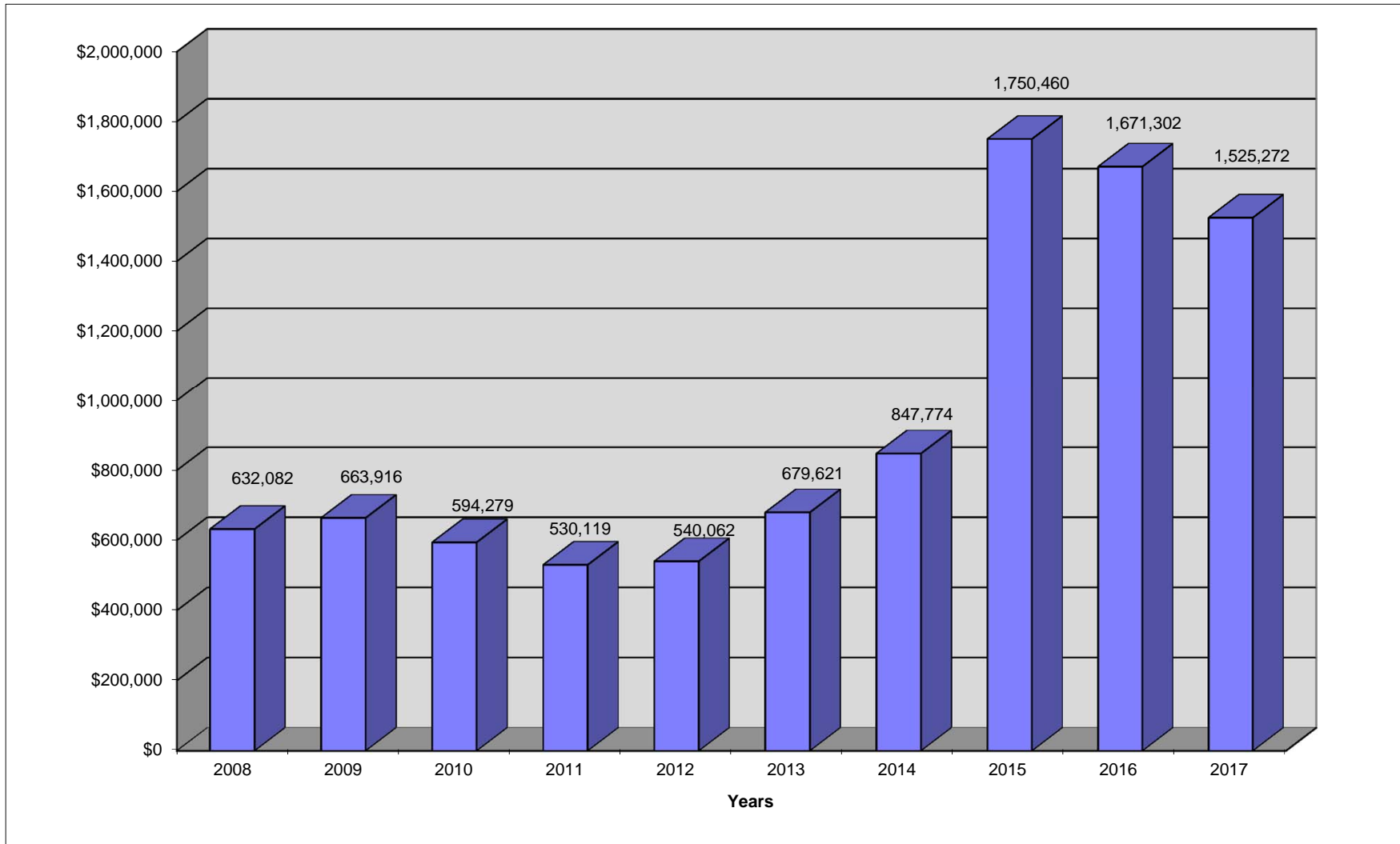
(1) This Schedule includes expenditures of the General Fund, Special Revenue Funds, and Capital Projects Fund.

CITY OF YERINGTON, NEVADA
NET POSITION
Last Ten Years
(Unaudited)

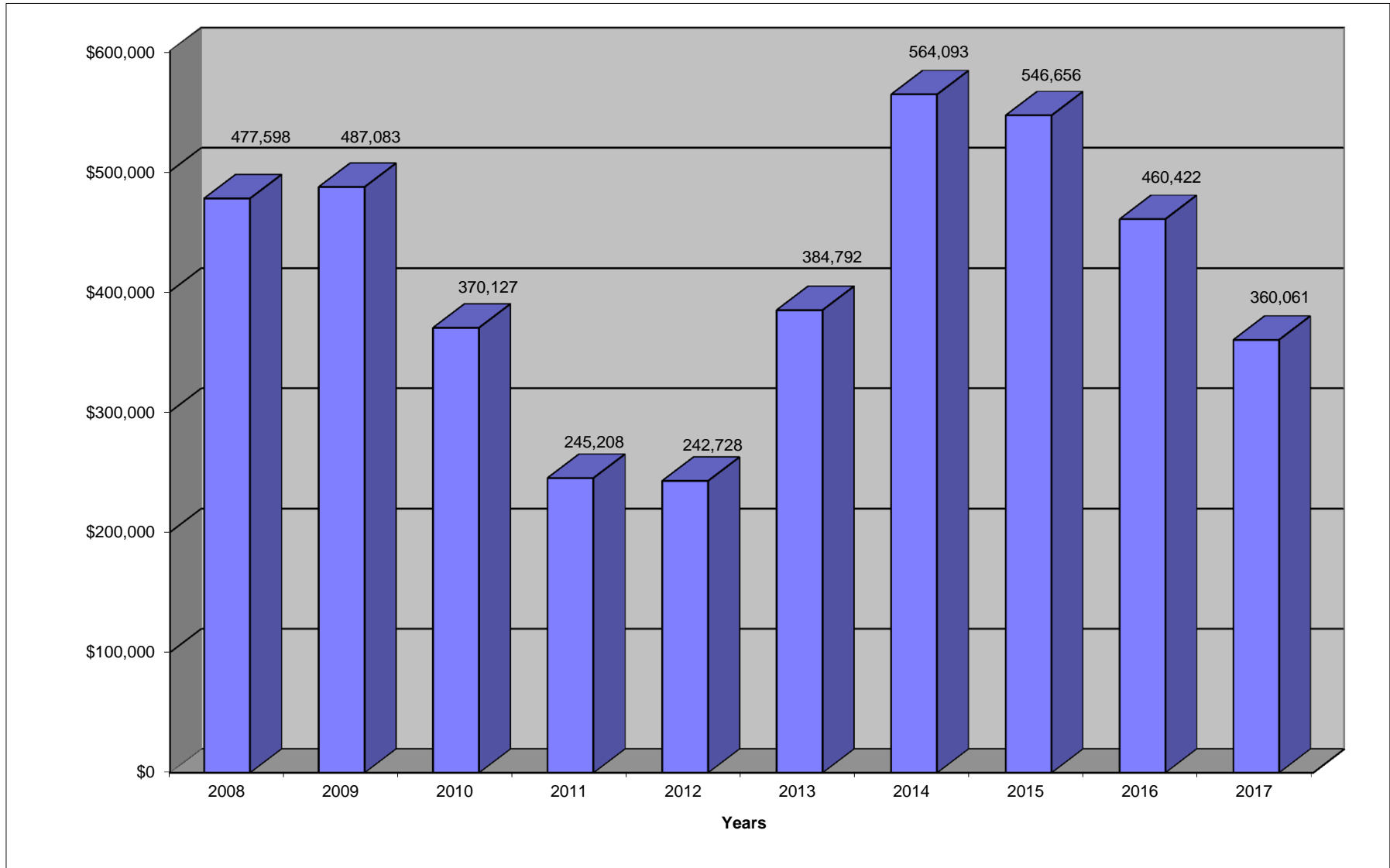
Year 2014 net position was restated by \$1,146,798 for governmental activities and \$846,696 business-type activities as required by GASB 68.



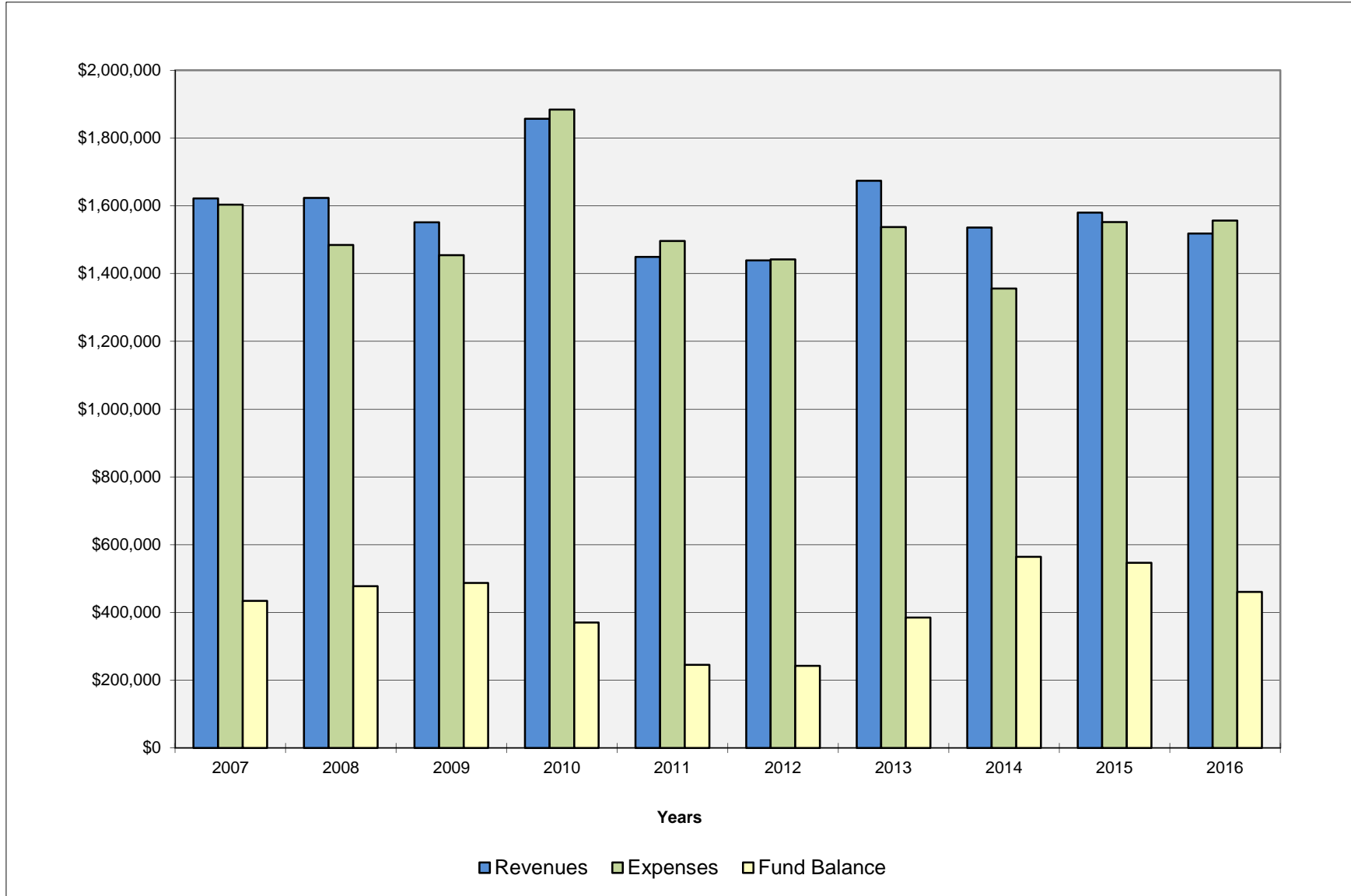
CITY OF YERINGTON, NEVADA
ALL GOVERNMENTAL FUNDS
FUND BALANCE - LAST TEN YEARS
(Unaudited)



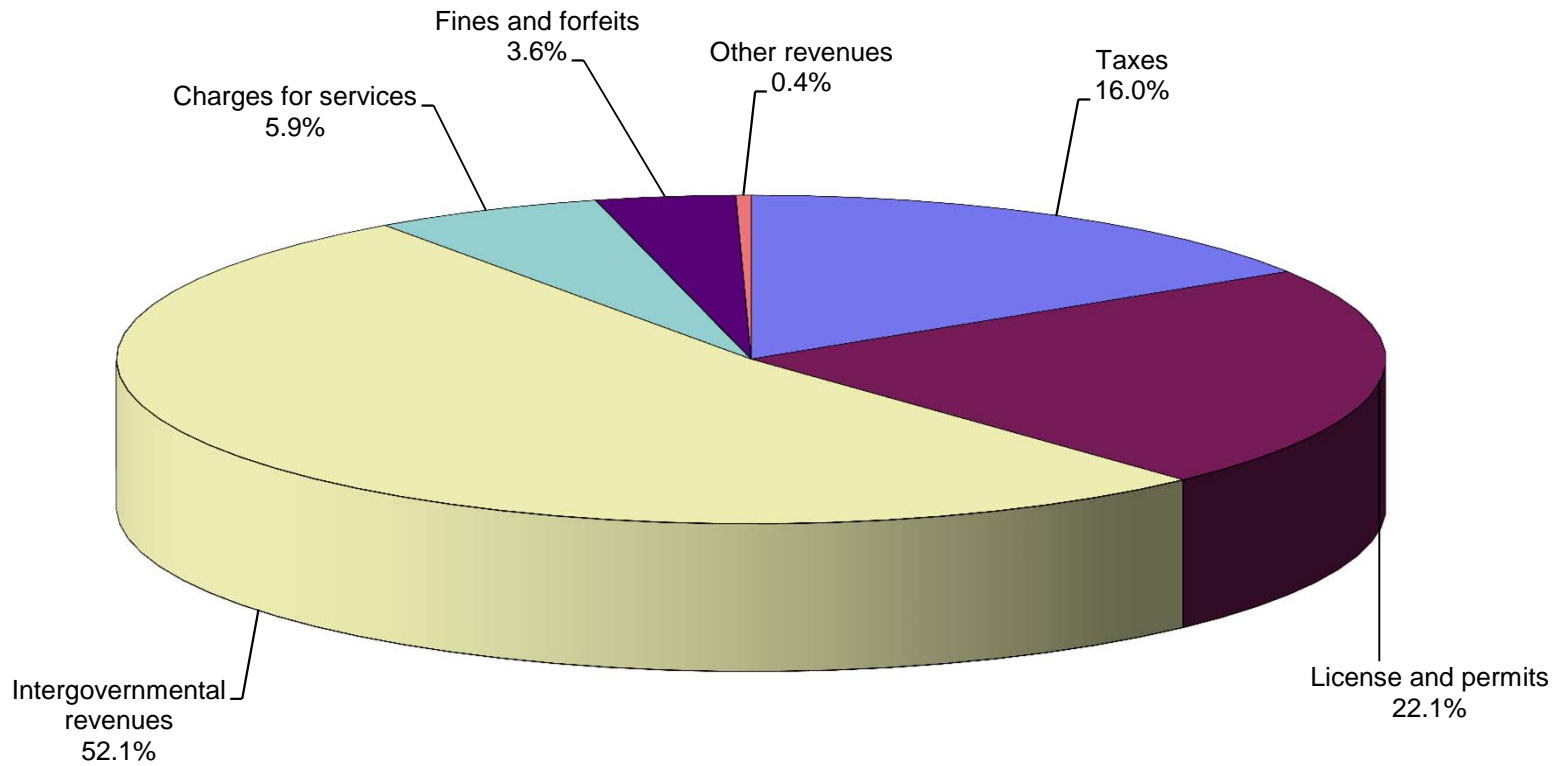
CITY OF YERINGTON, NEVADA
GENERAL FUND - BUDGET BASIS
FUND BALANCE - LAST TEN YEARS
(Unaudited)



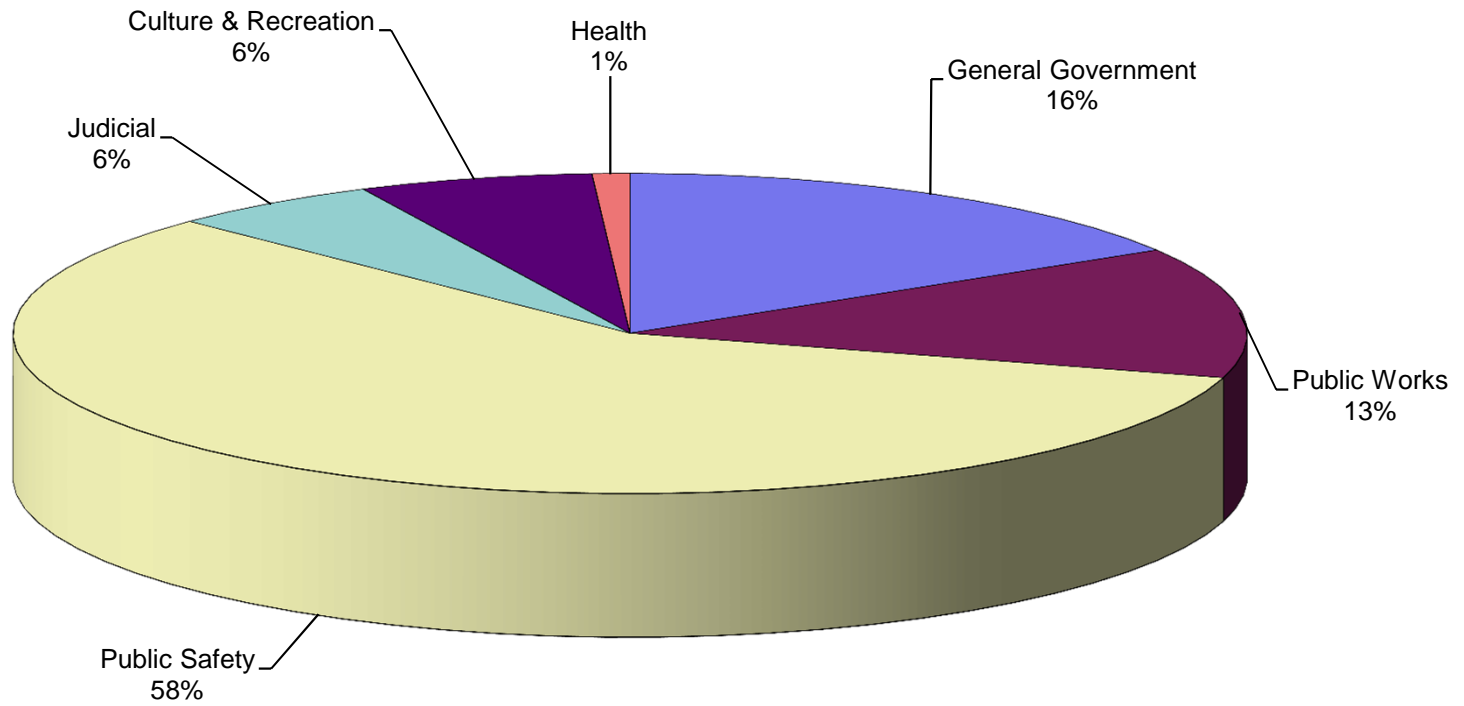
CITY OF YERINGTON, NEVADA
GENERAL FUND - BUDGET BASIS
REVENUES, EXPENDITURES, AND FUND BALANCE - LAST TEN YEARS
(Unaudited)



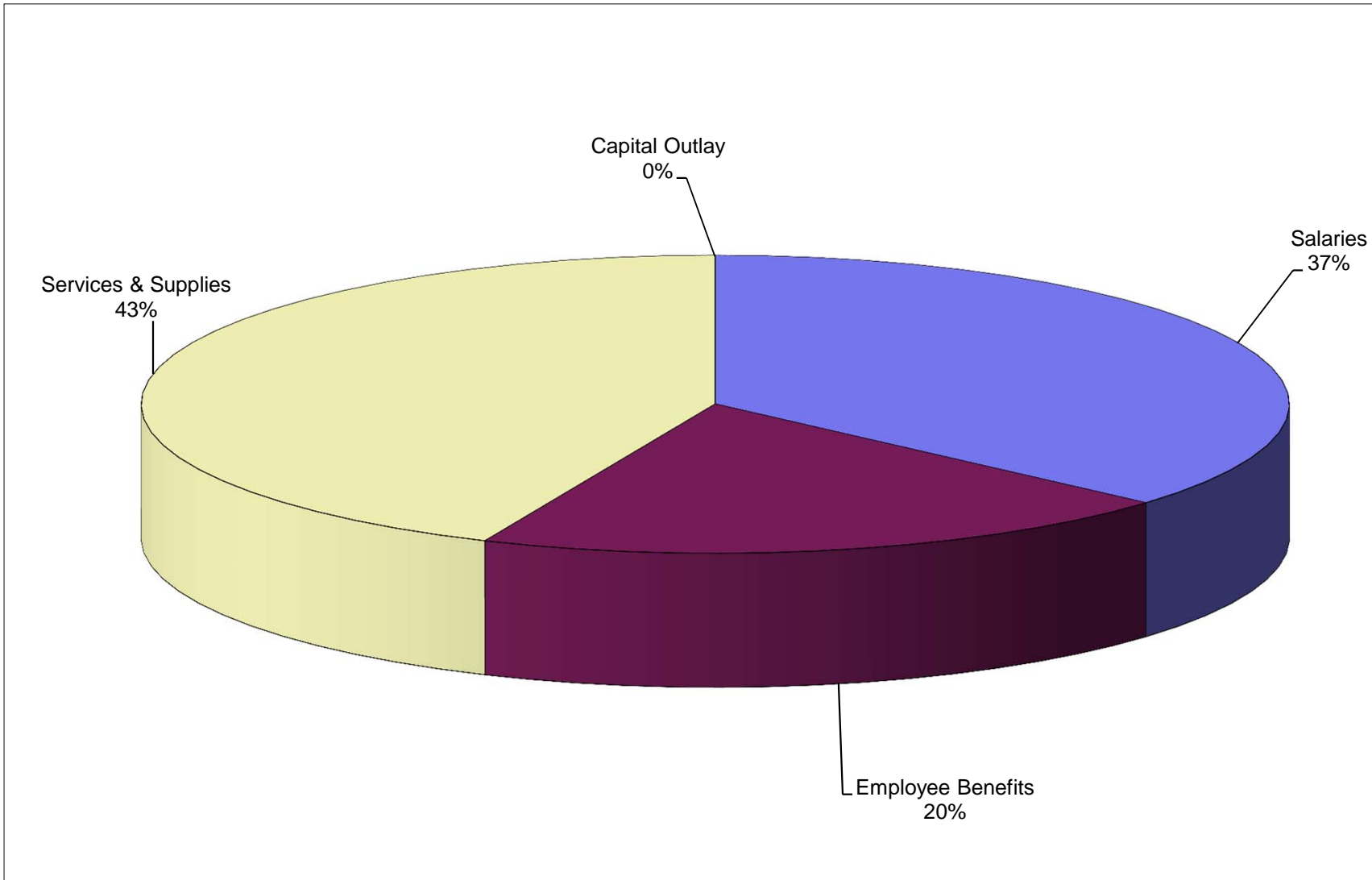
CITY OF YERINGTON, NEVADA
GENERAL FUND - BUDGET BASIS
REVENUES BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)



CITY OF YERINGTON, NEVADA
GENERAL FUND - BUDGET BASIS
EXPENDITURES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)



CITY OF YERINGTON, NEVADA
GENERAL FUND - BUDGET BASIS
EXPENDITURES BY OBJECT
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)





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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and City Council
City of Yerington, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund of the City of Yerington, Nevada, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Yerington's basic financial statements and have issued our report thereon dated October 21, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Yerington, Nevada's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Yerington, Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yerington, Nevada's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Yerington, Nevada's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sciarani & Co.

Yerington, Nevada
October 21, 2017

CITY OF YERINGTON, NEVADA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results:

- (1) The auditor's report expresses an unmodified opinion on the basic financial statements of the City of Yerington.
- (2) One significant deficiency relating to the audit of the financial statements is reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- (3) No instances of noncompliance were disclosed which are material to the financial statements of the City of Yerington, which would be required to be reported in accordance with Government Auditing Standards.

B. Findings – Financial Statements Audit

None

CITY OF YERINGTON, NEVADA
STATUS OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2016

B. Findings – Financial Statements Audit

2016-001 The City of Yerington, Nevada is a very small entity. The fiscal officer and three clerical clerks are assigned the duties of billing, accounts receivable and collections, general ledger maintenance, payroll and expenditure disbursements, and co-signature authority on checks and bank reconciliation functions. Controls are weakened when the functions of recording, approval, and safeguarding of assets are performed by two or three people. The entity's ability to design internal controls to achieve complete segregation of duties is limited due to fiscal restraints common to a small entity.

Management's Response: Management has determined the cost of correcting this significant deficiency in this small entity far exceeds the benefit derived from such action. However with the limited number of staff, the delegation of duties among personnel have been segregated to the greatest extent possible.

Current Status: Management has contracted with an outside vendor to perform monthly reconciliations and assistance with various non-routine transactions.



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INDEPENDENT ACCOUNTANT'S REPORT ON
NEVADA REVISED STATUTES 354.6241

To the Honorable Mayor and City Council
City of Yerington, Nevada

We have reviewed management's assertion made in accordance with Nevada Revised Statute 354-624(5)(a) with respect to the funds of the City of Yerington as of and for the year ended June 30, 2017 that:

- The identified funds are being used expressly for the purposes for which that were created.
- The Funds are administered in accordance with accounting principles generally accepted in the United States of America.
- The restricted fund balance/net position in the funds were reasonable and necessary to carry out the purposes of the funds at June 30, 2017 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau).
- The sources of revenues, including transfers, available for the funds are as noted in the financial statements.
- The funds conform to significant statutory and regulatory constraints on their financial statements administration during the year ended June 30, 2017.

This assertion is the responsibility of the management of the City of Yerington.

Our review was conducted in accordance with attestation standard established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that management's assertion referred to above is not fairly stated in all material respects.

Sciarani & Co.

Yerington, Nevada
October 21, 2017

INDEPENDENT AUDITOR'S COMMENTS
JUNE 30, 2016

Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 19 to the financial statements.

Prior Year Audit Recommendation

There were no specific recommendations made in the audit report for the fiscal year ended June 30, 2016.

Current Year Audit Recommendations

The Schedule of Findings and Questioned Responses included in this audit report provides a listing of our current year recommendations.

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