



CITY OF SPARKS
NEVADA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

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November 29, 2016

Honorable Mayor, Members of the City Council,
City Manager and Citizens of Sparks, Nevada:

The Comprehensive Annual Financial Report (CAFR) of the City of Sparks, Nevada, for the fiscal year ended June 30, 2016, is hereby submitted in accordance with Nevada Revised Statutes 354.624. This report represents the City's compliance with state law, which requires that local governments provide for an annual audit by independent certified accountants of its financial statements in accordance with generally accepted accounting principles (GAAP).

Responsibility for both the accuracy of the data and fairness of the presentation, including all note disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City of Sparks, in accordance with generally accepted accounting principles.

Our auditors, Eide Bailly LLP, have also issued an unmodified ("clean") opinion that the financial statements enclosed within this CAFR, fairly and materially represent the financial position and results of operations of the City of Sparks. Their report is located on page 10 of the financial section of this report.

The CAFR is presented in four sections:

1. **Introductory Section** - the Introductory Section is unaudited and includes this letter of transmittal, the City's organizational chart, list of principal officials and the GFOA Certificate of Achievement for fiscal year 2014-2015.
2. **Financial Section** - this section includes the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the basic financial statements and related footnotes, combining and individual statements for major and nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.

The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found beginning on page 13, immediately following the Independent Auditor's Report.

3. **Statistical Section** - the Statistical Section is also unaudited and includes selected financial and demographic information, generally presented on a multi-year basis.
4. **Compliance Section** - the Compliance Section includes the annual Single Audit Report by the independent auditor on the City's compliance with the provisions of the Single Audit Act of 1984 (as amended in 1996) and the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Also included are the Schedule of Expenditures of Federal Awards and the Schedule of Findings and Questioned Costs. Additionally, the auditor's report on the internal control structure and compliance with laws and regulations is included as required by Government Auditing Standards.

Profile of the Government

The City of Sparks, incorporated in 1905, with an estimated population of 93,581, is the fifth largest city in Nevada and is located in the extreme western part of the state sharing a border with the City of Reno.

Sparks operates under a mayor-council form of government. The Mayor is elected at-large in the City, serving as the non-voting chairman of the City Council. Five City Council members are elected City-wide as representatives of specific City Wards and serve as the legislative powers of the City. All legislative powers of the City as outlined in the municipal charter, Nevada Revised Statutes and State Constitution are vested in the City Council.

The City provides a full range of municipal services including police services; fire protection; the construction and maintenance of streets, traffic engineering and infrastructure; recreational activities and cultural events; wastewater treatment; and planning and zoning for new development. The City does not operate hospitals, schools or libraries. Utilities, such as gas and electric services, are provided by a privately owned utility. The City, as a member of a joint powers authority called the Truckee Meadows Water Authority, acquired an interest in the water service division of Sierra Pacific Power Company (now called NV Energy) on June 11, 2001. Washoe County and the City of Reno are the other members of the Authority. Sewer service and wastewater treatment are provided by the Truckee Meadows Water Reclamation Facility, a joint venture between the Cities of Reno and Sparks which is not a component unit for financial reporting purposes in either entity in accordance with the pronouncements of the Governmental Accounting Standards Board.

This report includes all funds of the primary government (City of Sparks) as well as its blended component unit. A blended component unit is a legally separate entity but in substance, is part of the City's operations and is included as part of the governmental funds of the city. The Redevelopment Agency, Areas No. 1 and No. 2, of the City of Sparks is considered the City's blended component unit. The Redevelopment Agency is an organization for which the primary government is financially accountable, and whose governing body is substantially the same as the City's. All five City Council members comprise the governing body for the Agency. The Mayor, who cannot vote on City agenda items, is a voting Agency member.

The original redevelopment district, Redevelopment Agency Area No. 1, in downtown Sparks, whose distinctive main street venue has been developed as Victorian Square, was created February 23, 1978. The state's first redevelopment district was set to expire after 30 years under existing statutory limits. However, subsequent Legislative actions allowed for the extension of the district's term for fifteen

additional years, an action taken by the Sparks Redevelopment Agency on May 8, 2000, thereby extending the duration of Sparks Redevelopment Area No. 1 until February 23, 2023.

On June 28, 1999, a second redevelopment district was created, Redevelopment Agency Area No. 2. The newer district is comprised of three noncontiguous areas - the Marina Park area (with abandoned retail parcels and a lack of infrastructure installations within the area), Oddie Boulevard area (an aging commercial/industrial strip along a state-controlled roadway with poor access) and the so-called Conductor Heights (south-west industrial) section, one of the oldest in Sparks, where very small residential lots have become interspersed with commercial uses. Fiscal year 1999-2000 established base year values for the second redevelopment district. A special assessment district was formed in 2002 to construct infrastructure needed for new development to the marina area. Redevelopment Agency Area No. 2 is set to expire on June 28, 2029.

The internal accounting controls employed by the City are designed to provide reasonable assurance that assets will be safeguarded against loss from unauthorized use or disposition, and that financial records will be reliable for use in preparing financial statements and determining accountability for assets. The City's accounting system provides controls to assure compliance with the budget. Budgetary control is maintained at the departmental service level in the General Fund, because the functional level identified in state statutes crosses departmental authorities and dilutes the responsibility for adhering to budget constraints. City management may transfer appropriations between functions in the General Fund and within individual funds, and must notify the City Council of such transfers. Any other increases in appropriations or transfers also require City Council approval. Budgetary control is further enhanced through the use of encumbrance accounting.

State statutes require the Financial Services Director to submit a tentative budget for the ensuing fiscal year to the Nevada Department of Taxation by April 15. The Department notifies the City whether or not the budget is in compliance with the law and related regulations. The City is required to hold a public hearing on the third Tuesday in May to review public input on the tentative budget. Beginning with fiscal year 2017, the Nevada Legislature changed this requirement so that a public hearing on the tentative budget may be held anytime between the third Tuesday in May and the end of May. The City Council must adopt a final budget no later than June 1, which is then filed with the Department of Taxation. State statutes allow for the local government entities to file amended final budgets for a fiscal year which is impacted by legislative actions.

Local Economy

The region's economy has long relied on consumption-related activities such as construction, tourism, and gaming, and the area, known as the Truckee Meadows, offers an extensive array of hotel and casino options as well as vast recreational opportunities.

Beginning in fiscal year 2006-2007, a significant softening in the local economy began, which we now know to be the beginning of what is commonly referred to as the "Great Recession". Residential construction which had displayed unprecedented growth during the preceding years, deteriorated dramatically, outpacing the national trend of a weakening real estate market. Also during fiscal year 2006-2007, the City of Sparks experienced a decline in consolidated tax revenue (over 80 percent of which is comprised of sales taxes), for the first year since the consolidated tax structure was initiated during fiscal year 1997-1998. The recession that began in fiscal year 2006-2007 resulted in lower General Fund revenues in every subsequent year until fiscal year 2013-2014. Since then, the local economy has

stabilized fueled by a rebound in property values and resulting in improved City revenues. Looking forward to fiscal year 2016-2017, we anticipate the stabilization to continue and are expecting a modest increase in total General Fund revenue for the fourth consecutive year.

On July 23, 2007, the City created the Tourism Improvement District No. 1 known as the Legends at Sparks Marina, which is located within the Redevelopment Agency Area No.2. The City contracted with RED Development to develop the Legends at Sparks Marina into one of the premier retail destinations in the region. As established by SB 306 from the 2005 legislative session, a Tourism Improvement District (TID) allows Sales Tax Anticipated Revenue (STAR) bonds to be issued that are supported by up to 75 percent of sales taxes generated within the District. Proceeds from these bonds are used for infrastructure and land improvements for the purpose of enhancing the area as a tourism, entertainment, and retail destination of choice. More information on the debt issued in relation to the Legends project can be found within the notes to the financial statements.

In 2014, Tesla and other large companies, agreed to open facilities in the Tahoe Reno Industrial Center located east of Sparks in Storey County. The neighboring communities, such as the City of Sparks, anticipate a positive impact to the economy over the next several years, including the addition of an estimated 50,000 new jobs. These anticipated jobs will bring welcome relief to a region that was hit hard by high levels of unemployment during the recession. Evidence of the economic improvement can be seen in the increase in housing demands. In fiscal year 2016, multi-family housing units increased by 300 units. Another 1,000 units have been permitted and are anticipated to be complete in the next year.

However, the resulting expected growth in assessed value is not expected to match the property tax growth that is allowed under Nevada property tax cap laws.

The property tax cap laws that were implemented by the Nevada Legislature in 2005 (AB 489) resulted in unintended and unanticipated consequences. Specifically, the laws currently provide for a “ceiling” that limits property tax revenue growth to 8% for general property (essentially defined as all non-owner occupied property) and 3% for residential (owner occupied) property, yet does not provide for a similar “floor” limiting property tax revenue declines should property valuations dramatically decline (as they did during the great recession). Furthermore, the property tax cap formulas put limitations on tax revenue by way of a secondary calculation that is based on the greater of the 10 year rolling average of assessed value growth in the county or the Consumer Price Index (CPI).

Due to extremely low growth and inflation in recent years, this secondary property tax cap calculation will result in property tax revenue growth of only 0.2% on existing properties rather than the 8% general or 3% residential cap in fiscal year 2016-2017. This 0.2% revenue cap is in place even though overall City’s assessed value is expected to grow over 7% in fiscal year 2016-2017. Thus, the property tax cap laws in their current form have resulted in a situation whereby property tax revenues are not keeping pace with the overall economic recovery and are hindering the ability of local governments throughout Nevada to meet the service needs within their communities.

In fiscal year 2015, the Sparks City Council approved an increase of the City’s operating property tax rate from \$.9161 to \$.9598 per \$100 of assessed value. This is the first increase since 2003-2004. Coupled with the rates in effect for jurisdictions which overlap with Sparks, the overall tax rate is at the statutory cap of \$3.66. (This includes two cents that were added to the state tax rate for Capital projects and conservation of natural resources that are outside of the property tax rate cap of \$3.64.)

Long-Term Financial Planning

The City uses a multi-year financial forecasting model to assist with budget and capital planning. The City has also completed a comprehensive facilities plan, which will guide City capital spending priorities and help to formulate the five-year Capital Improvement Plan (the CIP). The CIP is updated annually in conjunction with the budget process, and is integrated with the City's budget upon adoption of the plan.

Relevant Financial Policies

Cash Management

The City is authorized by statute to invest in bonds or other obligations of the United States Treasury, its agencies and instrumentalities; bonds of the State of Nevada; obligations of other local governments of the State of Nevada; certificates of deposit and bankers acceptances; notes, bonds and other unconditional obligations by corporations organized and operating in the United States; and obligations of other state and local governments if they are rated "A" or better by one of the nationally recognized credit rating agencies. The City may also invest in repurchase agreements for securities if, in lieu of possession of the securities, it obtains sole, fully perfected, first-priority security interest in those securities. State law also allows investment in money market mutual funds invested solely in treasury/agency securities.

The City, in effect, pools its cash for investment purposes and has invested primarily in certificates of deposit, money market instruments and agency securities. Due to the federal fiscal policies intended to keep interest rates low for an extended period of time, investment earnings have remained low. For fiscal year 2015-2016, the average interest rate earned on investments maturing during the year was 0.97 percent.

Risk Management

The City has three funds related to the administration of its self-funded insurance programs: general liability, group health, and workers' compensation. The Municipal Self-Insurance Fund covers general liability claims, and the City carries excess insurance coverage as well. In addition, the City has property insurance for buildings and contents, and a blanket bond policy for all City employees.

The Group Insurance Self-Insurance Fund provides all of the health benefits for City employees, retirees, and dependents. Employee premiums are paid by the City via interfund charges through the payroll system, and dependent premiums are paid by the City and the Employee via interfund charges and payroll deductions. Retiree and their dependent premiums are paid either from converted sick leave balances or from the retiree directly. The City carries a specific stop loss policy for individual claims.

The City's Workers' Compensation Insurance Fund has excess insurance coverage for each occurrence. The City has experienced several disability claims for public safety retirees related to heart, lung and cancer (HLC) benefits, all of which were presumed to be job-related under state law. However, primarily due to legislation passed by the 2015 Nevada Legislature, the City of Sparks saw a significant decrease in the projected HLC liability in 2014-2015, and we expect any significant changes to this liability in the future will continue to be primarily driven by legislation enacted by the Nevada Legislature.

Pension Information

Full-time and eligible part-time employees of the City are covered by the State of Nevada Public Employees' Retirement System (PERS). The cost-sharing, multiple-employer, defined benefit plan is administered by a seven member board appointed by the Governor, who has sole discretion over plan investments. To properly account for this benefit, the City adopted the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* beginning

with the 2014-2015 fiscal year. The City reports a portion of the PERS net pension liability prorated by participating entity contributions.

Postemployment Benefits Other Than Pensions (OPEB)

The City provides a variety of post-retirement health care benefits to certain retirees and their dependents. To properly account for these benefits, the City has adopted GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* beginning with the 2008-2009 fiscal year. The benefits are financed on a pay-as-you-go basis, and are reported as a liability in the City's financial statements.

Additional information on the City's pension and OPEB benefits can be found in the notes to the financial statements.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sparks, Nevada, for its Comprehensive Annual Financial Report (CAFR) for each fiscal year ended June 30, 1981 through 2015. Fiscal year 2014-2015 was the thirty-fifth consecutive year in which the City of Sparks has received this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one fiscal year only. We believe that fiscal year 2015-2016 CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another award.

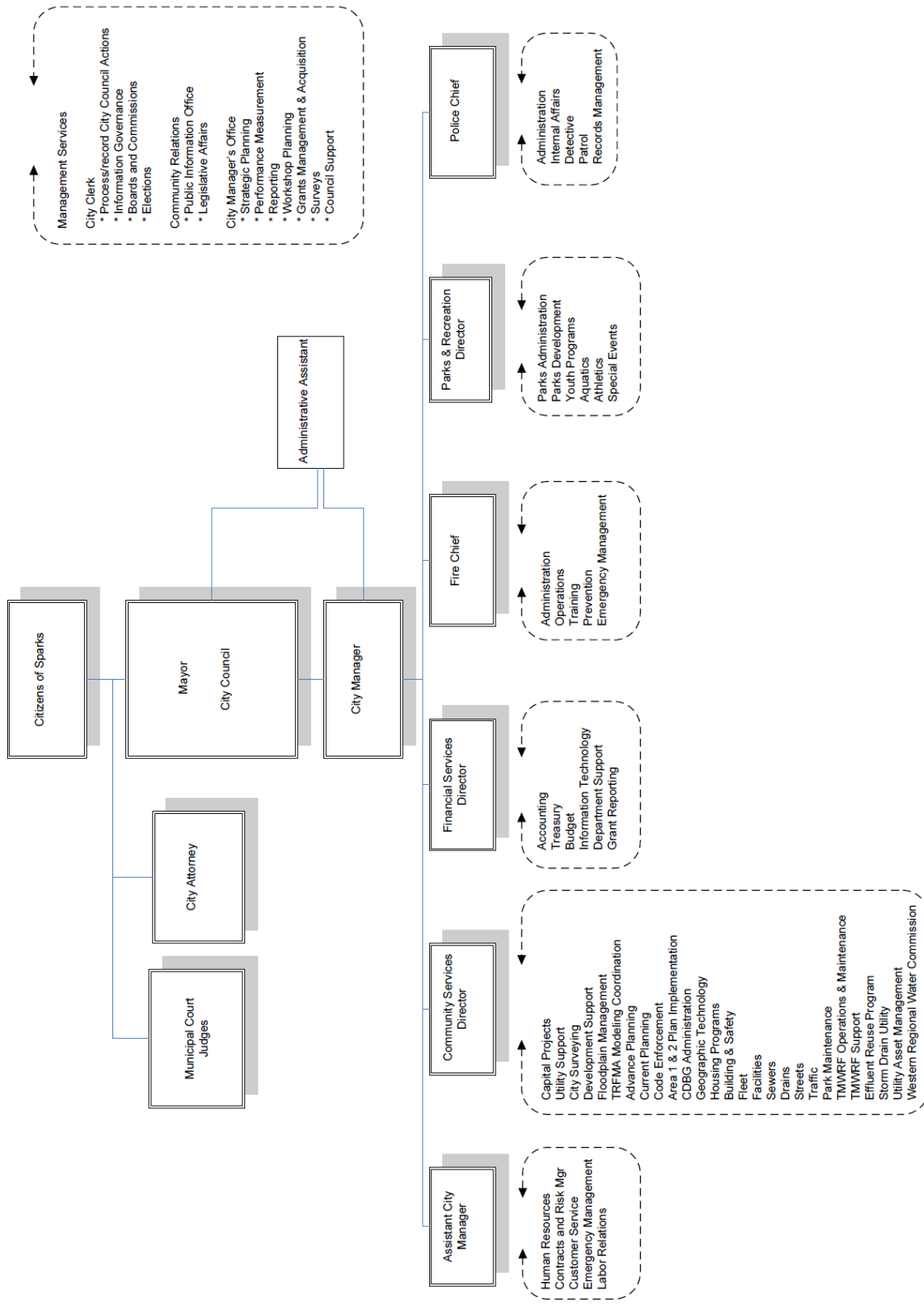
This report could not have been prepared without the diligent year-round efforts of the entire staff of the Financial Services Department and of the certified public accounting firm Eide Bailly LLP. We would like to acknowledge their expert support and guidance throughout the year not only to make this report possible, but also to help improve our overall financial reporting capabilities.

Finally, I would like to thank the Mayor, City Council members, and City Manager for exhibiting progressive and responsible leadership in the fiscal affairs of the City of Sparks.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jeff Cronk', followed by a horizontal line.

Jeff Cronk, CPA
Financial Services Director



06/30/2016

City of Sparks, Nevada
Principal Officials of the City of Sparks, Nevada
June 30, 2016

| <u>Office</u> | <u>Name</u> | <u>Term of Office</u> | <u>Term Expires</u> |
|-------------------------------|---------------------|-----------------------|---------------------|
| Mayor | Geno R. Martini | Four Years | November, 2018 |
| Council Member Ward 1 | Julia Ratti | Four Years | November, 2016 |
| Council Member Ward 2 | Ed Lawson | Four Years | November, 2018 |
| Council Member Ward 3 | Ron Smith | Four Years | November, 2016 |
| Council Member Ward 4 | Charlene Bybee | Four Years | November, 2018 |
| Council Member Ward 5 | Ron Schmitt | Four Years | November, 2016 |
| City Attorney | Chet Adams | Four Years | November, 2016 |
| Municipal Judge, District 1 | Barbara McCarthy | Six Years | November, 2020 |
| Municipal Judge, District 2 | Jim Spoo | Six Years | November, 2018 |
| City Manager | Stephen W. Driscoll | Appointed | |
| Assistant City Manager | Niel Krutz | Appointed | |
| City Clerk | Teresa Gardner | Appointed | |
| Community Services Director | John Martini | Appointed | |
| Financial Services Director | Jeff Cronk | Appointed | |
| Parks and Recreation Director | Tracy Domingues | Appointed | |
| Police Chief | Brian Allen | Appointed | |
| Fire Chief | Tom Garrison | Appointed | |

INDEPENDENT AUDITORS

Eide Bailly LLP



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Sparks
Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sparks, Nevada, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Sparks, Nevada'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, each major fund, and the aggregate remaining fund information of the City of Sparks, Nevada, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As discussed in Note 17 to the financial statements, certain errors resulting in an understatement of amounts previously reported for worker's compensation claims liabilities in the governmental activities and proprietary funds – internal service funds as of June 30, 2015, were discovered by management of the City of Sparks, Nevada during the current year. Accordingly, the amount reported for claims liabilities has been restated in the June 30, 2015 financial statements now presented, and an adjustment has been made to governmental activities net position and proprietary funds – internal service funds net position as of July 1, 2015, to correct the error. Also as discussed in Note 17 to the financial statements, an error resulting in an understatement of amounts previously reported for the City's investment in the Truckee Meadows Water Reclamation Facility (TMWRF) in the business-type activities and sewer operations enterprise fund as of June 30, 2015, was discovered by management of the City of Sparks, Nevada during the current year. Accordingly, the amount reported for investment in TMWRF has been restated in the June 30, 2015 financial statements now presented, and an adjustment has been made to business-type activities net position and sewer operations enterprise fund net position as of July 1, 2015, to correct the error. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 27, the other post-employment benefits schedule of funding progress on page 83, the schedule of the City's share of net pension liability on page 84, and the schedule of the City's contributions on page 85 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sparks, Nevada's basic financial statements. The introductory section, nonmajor combining and individual fund statements and schedules including budgetary comparisons, statistical section, and the schedule of fees imposed subject to the provisions of NRS 354.5989 – Limitation of Fees for Business Licenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The nonmajor combining and individual fund statements and schedules including budgetary comparisons, the schedule of expenditures of federal awards, and the schedule of fees imposed subject to the provisions of NRS 354.5989 – Limitation of Fees for Business Licenses 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 nonmajor combining and individual fund statements and schedules including budgetary comparisons, the schedule of expenditures of federal awards, and the schedule of fees imposed subject to the provisions of NRS 354.5989 – Limitation of Fees for Business Licenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Prior Year Comparative Information

We have previously audited, in accordance with accounting standards generally accepted in the United States of America, the basic financial statements of the City of Sparks, Nevada, as of and for the year ended June 30, 2015, and have issued our report thereon dated November 24, 2015, which expressed an unmodified opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The summarized comparative information presented in the basic financial statements as of and for the year ended June 30, 2015, is consistent with the audited financial statements from which it has been derived.

The nonmajor combining and individual fund financial statements and schedules related to the 2015 financial statements are presented for purposes of additional analysis and were derived from and relate directly to the underlying accounting and other records used to prepare the 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The individual fund financial statements and schedules are consistent in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the City of Sparks, Nevada's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the City of Sparks, Nevada's internal control over financial reporting and compliance.



Reno, Nevada
November 29, 2016

City of Sparks, Nevada
Management's Discussion and Analysis

The management of the City of Sparks offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the entity for the fiscal year ended June 30, 2016. This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of resources of the City of Sparks (government-wide) exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$429,850,117 (net position), an increase 5.5 percent from the prior year. The net position is primarily represented by the City's net investment in capital assets.
- Net Pension liability of the City is \$77,407,621, an increase of \$5,756,815 from the prior year liability of \$71,650,806. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the City to report a proportionate share of the total Net Pension Liability reported by the Public Employee's Retirement System of Nevada (PERS). As a result of recording the increase in the City's portion of net pension liability (\$5,756,815), decrease in deferred pension inflows (\$7,127,079), and increase in deferred pension outflows (\$963,540), net position was increased by \$2,333,804.
- Sparks' governmental funds reported combined ending fund balances of \$47,372,648 as of June 30, 2016 which is an increase of \$366,787 from fiscal year 2014-2015 ending fund balance total of \$47,005,861. The increase was primarily due to an increase in the amounts held that are restricted for use on improvement to the City's downtown core, Victorian Square.
- Governmental Accounting Standards Boards Statement No. 54 provides fund balance classifications for governmental funds. As of June 30, 2016, the unrestricted fund balance (which includes committed, assigned and unassigned balances) in the General Fund was \$6,007,406, which represents approximately 10.0 percent of General Fund revenues. Of that amount, \$144,140 is assigned for open purchase orders and \$2,201,494 is assigned as a budgeted resource to be expended in fiscal year 2016-2017, leaving \$3,661,772 as an unassigned fund balance.
- The City's primary General Fund resources are consolidated taxes and property taxes. Combined, these resources accounted for 71.6 percent of total General Fund revenues, and have increased by 7.2 percent from last year's results. Consolidated tax revenues increased 8.5 percent, and property taxes increased by 5.7 percent compared to the previous fiscal year.
- Cash and investments (unrestricted) of \$84,725,739 can cover current liabilities 1.9 times on a government-wide basis.

- Governmental activity expenses were \$92,468,972 as compared to \$82,843,528 for the year ended June 30, 2015. The increase of \$9,625,444 is primarily driven by losses on capital asset disposals within the general government function, increases in salaries and benefits within the public safety function, and increases in capital spending for roads and streets within the public works function. Business-type activities posted overall expenses of \$26,734,182 as compared with \$24,434,062 in the prior year. The increases are related to an increase in maintenance costs related to the City's share of the Truckee Meadows Water Reclamation Facility and increased staffing in the development services fund. The Truckee Meadows Water Reclamation Facility is a jointly owned venture of the Cities of Reno and Sparks which the City of Sparks funds from the Sewer Operations Enterprise Fund. More information about the Truckee Meadows Water Reclamation Facility can be found in the Note 6 of the Financial Statements.
- The City's long-term liabilities outstanding increased by \$8,665,009 in fiscal year 2015-2016. The increase was attributable to the issuance of \$18,010,000 of General Obligation Medium Term Flood Control Bonds to finance flood and drainage projects.

Overview: Understanding the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sparks' basic financial statements. The basic financial statements comprise three components: government-wide financial statements, fund financial statements and notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a general overview of the City of Sparks' finances, not unlike financial statements issued by private sector businesses.

The Statement of Net Position presents all of Sparks' assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets and deferred outflows less liabilities and deferred inflows is reported as "net position", which over time can provide an indication of improvement or decline in the City's financial position.

The purpose of the Statement of Activities is to present how the City's net position has changed during the fiscal year of the report. Changes in net position are reported as soon as the event that caused the change occurs, regardless of the timing of cash flows.

Both financial statements provided on a government-wide basis distinguish between functions that are governmental activities versus those that are business-type activities. The distinction is straightforward: governmental activities are typically supported by taxes and intergovernmental revenues, whereas business-type activities are those that depend on cost recovery through user fees or other charges that are generated by those who use or benefit from the service being provided.

Within the City of Sparks, governmental activities include general government, public safety, public works, sanitation, culture and recreation, and judicial. Governmental activities that occur within the Redevelopment Agency in its two distinct redevelopment areas are often reported in the

community support function. Business-type activities in Sparks include sanitary sewer, storm drain and effluent services, and development and building services.

Fund Financial Statements

Funds are used in governmental accounting to rationally link and control resources that have been segregated to support certain functions or objectives. Fund accounting also helps local governments to demonstrate compliance with legal requirements. The City of Sparks' funds are categorized as governmental funds, proprietary funds or fiduciary funds.

Governmental Funds

The City uses governmental funds to account for essentially all the governmental activities that are reported in the government-wide financial statements. But unlike the government-wide statements, governmental fund statements focus on current or near-term spendable resources, including spendable resources available at fiscal year-end, which more closely coincides with Nevada statutory requirements related to annual city budgets. This information is useful in evaluating the City of Sparks' near-term financial position.

Long-term implications can be detected by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances are reconciled to the governmental activities statement of net position and statement of activities to facilitate the comparison between governmental funds and governmental activities.

Financial statements are provided separately for the major funds including the General Fund, and the General Obligation Debt Service Fund. Financial results for the other non-major governmental funds are combined into a single segregated presentation, and are also provided in the form of combining statements and individual fund schedules deeper into the report.

In accordance with state statutes, the City of Sparks adopts an annual budget for all of its governmental funds, and makes amendments to that budget periodically. For the General Fund a comparison of the original and final budget to actual results is provided, along with similar comparisons of final budget to actual results for the other governmental funds elsewhere in the report.

Proprietary Funds

Under current generally accepted accounting principles, the City of Sparks maintains two types of proprietary funds; enterprise funds and internal service funds. The business-type activities presented in the governmental-wide financial statements are those that are accounted for in enterprise funds. The major enterprise fund reported in this manner is the Sewer Operations Fund, and the non-major enterprise fund is the Development Services Fund.

Internal service funds are commonly used as an accounting structure to accumulate and allocate costs of services provided internally between and amongst various City of Sparks' funds and

functions. The City uses such funds to account for its self-insurance activities and its central motor vehicle services. Since these services predominantly benefit governmental rather than business-type functions (although there is an element in these funds that provides services to enterprise/business-type activities) their financial data have been included in the governmental activities section of the government-wide financial statements. Financial information for the internal service funds is provided in the aggregate in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements and individual funds elsewhere in the report.

Fiduciary Funds

Resources held for the benefit of parties outside the government are accounted for in fiduciary funds, which are not reflected in the government-wide financial statements because resources of those funds are not available to support the City of Sparks' own programs.

Notes to the Financial Statements

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

Other Information

The combining non-major fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

Government-Wide Analysis

Over time, values reported as “net position” can provide an indication of a government’s financial position. As noted previously, the City’s net position increased by 5.5 percent during fiscal year 2015-2016. This is primarily due to an increase in investments in the Truckee Meadows Water Reclamation Facility, a jointly owned venture with the City of Reno, an increase in capital assets mostly due to donated roads from the Regional Transportation Commission (RTC), and an increase in net position related to pension obligations.

CITY OF SPARKS' STATEMENT OF NET POSITION

| | Governmental Activities | | Business Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Current and other assets | \$ 79,714,954 | \$ 80,803,976 | \$ 96,278,825 | \$ 70,187,881 | \$ 175,993,779 | \$ 150,991,857 |
| Capital assets | 425,714,441 | 419,191,954 | 162,243,262 | 165,269,734 | 587,957,703 | 584,461,688 |
| Total assets | 505,429,395 | 499,995,930 | 258,522,087 | 235,457,615 | 763,951,482 | 735,453,545 |
| Deferred outflow bond refundings | 142,898 | 486,604 | - | - | 142,898 | 486,604 |
| Deferred outflow related to pensions | 10,840,446 | 10,047,401 | 1,094,210 | 923,715 | 11,934,656 | 10,971,116 |
| Total deferred outflow of resources | 10,983,344 | 10,534,005 | 1,094,210 | 923,715 | 12,077,554 | 11,457,720 |
| Total assets and deferred outflows | 516,412,739 | 510,529,935 | 259,616,297 | 236,381,330 | 776,029,036 | 746,911,265 |
| Long-term liabilities outstanding | 235,299,018 | 236,762,208 | 56,019,167 | 41,647,249 | 291,318,185 | 278,409,457 |
| Other liabilities | 35,374,963 | 34,899,080 | 8,406,030 | 8,083,811 | 43,780,993 | 42,982,891 |
| Total liabilities | 270,673,981 | 271,661,288 | 64,425,197 | 49,731,060 | 335,099,178 | 321,392,348 |
| Deferred inflow related to pensions | 10,166,313 | 16,692,870 | 913,428 | 1,513,950 | 11,079,741 | 18,206,820 |
| Total deferred inflow of resources | 10,166,313 | 16,692,870 | 913,428 | 1,513,950 | 11,079,741 | 18,206,820 |
| Total liabilities and deferred inflows | 280,840,294 | 288,354,158 | 65,338,625 | 51,245,010 | 346,178,919 | 339,599,168 |
| Net investment in capital assets | 364,071,812 | 349,494,836 | 133,052,926 | 132,378,854 | 497,124,738 | 481,873,690 |
| Restricted | 35,374,824 | 35,589,211 | - | - | 35,374,824 | 35,589,211 |
| Unrestricted | (163,874,191) | (162,908,270) | 61,224,746 | 52,757,466 | (102,649,445) | (110,150,804) |
| Total net position | \$ 235,572,445 | \$ 222,175,777 | \$ 194,277,672 | \$ 185,136,320 | \$ 429,850,117 | \$ 407,312,097 |

The largest portion of the City of Sparks’ net position reflects its investment in capital assets, including land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, intangible assets, storm drains and sewer lines. The value, \$497,124,738, is reported net of any related debt still outstanding which was used to acquire those assets. Capital assets are used by the City of Sparks to provide services to citizens and customers, and thus are not available for future spending, and cannot be liquidated to pay off related debt.

A portion of net position, in the amount of \$35,374,824, is restricted to specific uses. These restrictions are established by laws, regulations, creditors, grantors, or any external entity that can enforce spending compliance. For example, transient occupancy taxes collected in Sparks, which are recorded in the Victorian Square Room Tax Capital Projects Fund, are restricted to uses which benefit the City’s downtown core. The decrease in restricted net position of \$214,387 is largely due to the increase of road and street projects that utilized restricted fuel tax funds.

Unrestricted net position is the amount of funds available to meet the City’s on-going obligations. The negative unrestricted net position value of \$102,649,445 in fiscal year 2015-2016 is comprised primarily of a deficit of \$163,874,191 related to governmental activities. This deficit is largely comprised from two factors. Firstly, it is the result of the existing long-term debt issued for expenses related to the Legends at Sparks Marina development. The debt issued for expenses

related to the Legends project did not increase assets of the City, but instead was issued to stimulate the economic development of the area. More information related to debt issued for the Legends project can be found in Note 9 of the financial statements. The second large component of the unrestricted deficit is the result of the fiscal year 2015 implementation of GASB statement 68, *Accounting and Financial Reporting for Pensions*. More information related to the pension liability can be found in Note 11 of the financial statements.

| CITY OF SPARKS CHANGES IN NET POSITION | | | | | | |
|--|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | Governmental Activities | | Business Type Activities | | Total | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Program revenues: | | | | | | |
| Charges for services | \$ 23,974,233 | \$ 22,978,911 | \$ 27,011,582 | \$ 25,223,675 | \$ 50,985,815 | \$ 48,202,586 |
| Operating grants, interest and contributions | 1,534,679 | 1,234,890 | - | - | 1,534,679 | 1,234,890 |
| Capital grants, interest and contributions | 14,611,760 | 23,015,112 | 6,490,750 | 5,509,920 | 21,102,510 | 28,525,032 |
| | 40,120,672 | 47,228,913 | 33,502,332 | 30,733,595 | 73,623,004 | 77,962,508 |
| General revenues: | | | | | | |
| Ad valorem taxes | 25,735,620 | 24,206,813 | | | 25,735,620 | 24,206,813 |
| Special Assessments - taxes | 1,197,930 | 1,082,636 | | | 1,197,930 | 1,082,636 |
| Consolidated tax | 22,695,286 | 20,916,103 | | | 22,695,286 | 20,916,103 |
| Dedicated sales tax - improvement districts | 10,659,831 | 10,184,516 | | | 10,659,831 | 10,184,516 |
| Other taxes | 5,539,785 | 5,233,995 | | | 5,539,785 | 5,233,995 |
| Unrestricted interest income | 506,173 | 254,882 | 493,674 | 246,574 | 999,847 | 501,456 |
| Miscellaneous revenue | 215,107 | 584,991 | 126,503 | 154,962 | 341,610 | 739,953 |
| | 66,549,732 | 62,463,936 | 620,177 | 401,536 | 67,169,909 | 62,865,472 |
| Total revenues | 106,670,404 | 109,692,849 | 34,122,509 | 31,135,131 | 140,792,913 | 140,827,980 |
| Expenses: | | | | | | |
| General Government | 17,259,801 | 12,531,485 | | | 17,259,801 | 12,531,485 |
| Judicial | 2,085,243 | 2,119,937 | | | 2,085,243 | 2,119,937 |
| Public safety: | | | | | | |
| Police | 24,479,600 | 22,261,585 | | | 24,479,600 | 22,261,585 |
| Fire | 15,875,446 | 15,701,380 | | | 15,875,446 | 15,701,380 |
| Public Works | 1,634,836 | 1,526,073 | | | 1,634,836 | 1,526,073 |
| Public Works | 8,564,996 | 6,300,571 | | | 8,564,996 | 6,300,571 |
| Culture and recreation | 10,163,718 | 9,829,803 | | | 10,163,718 | 9,829,803 |
| Community support | 2,577,879 | 1,384,932 | | | 2,577,879 | 1,384,932 |
| Interest on long-term debt | 9,827,453 | 11,187,762 | | | 9,827,453 | 11,187,762 |
| Sewer | | | 23,863,114 | 22,442,881 | 23,863,114 | 22,442,881 |
| Development services | | | 2,871,068 | 1,991,181 | 2,871,068 | 1,991,181 |
| Total expenses | 92,468,972 | 82,843,528 | 26,734,182 | 24,434,062 | 119,203,154 | 107,277,590 |
| Increase (Decrease) in net position | | | | | | |
| before transfers & special items | 14,201,432 | 26,849,321 | 7,388,327 | 6,701,069 | 21,589,759 | 33,550,390 |
| Transfers | 53,047 | 714,946 | (53,047) | (714,946) | - | - |
| Increase (Decrease) in net position | 14,254,479 | 27,564,267 | 7,335,280 | 5,986,123 | 21,589,759 | 33,550,390 |
| Net position, July 1, as originally reported | 222,175,777 | 194,611,510 | 185,136,320 | 179,150,197 | 407,312,097 | 373,761,707 |
| Prior Period Adjustment | (857,811) | - | 1,806,072 | - | 948,261 | - |
| Net position, July 1, as restated | 221,317,966 | 194,611,510 | 186,942,392 | 179,150,197 | 408,260,358 | 373,761,707 |
| Net position, June 30 | \$ 235,572,445 | \$ 222,175,777 | \$ 194,277,672 | \$ 185,136,320 | \$ 429,850,117 | \$ 407,312,097 |

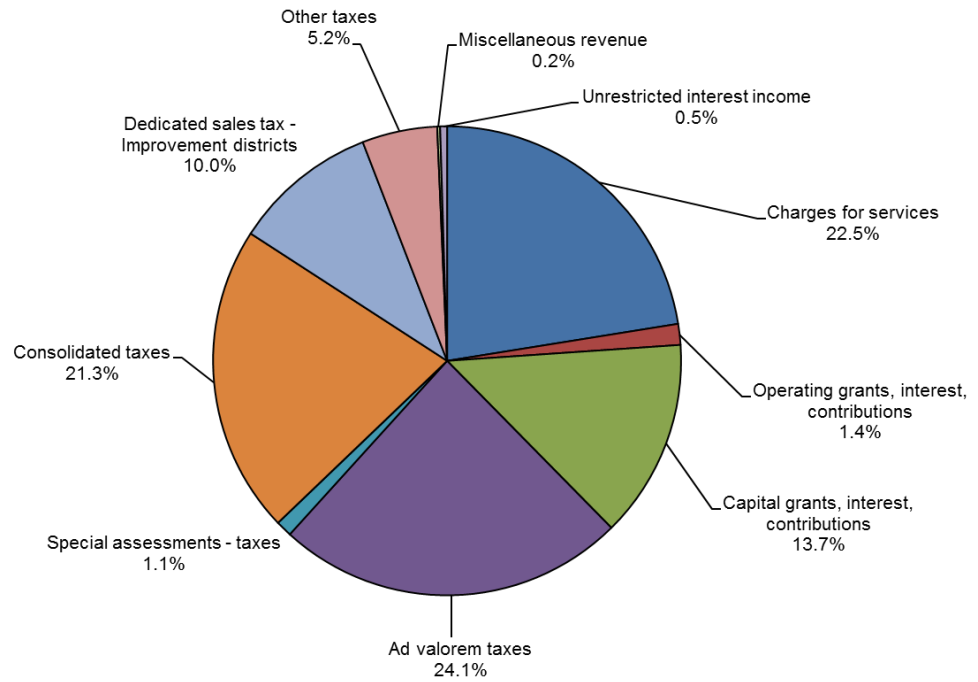
Governmental Activities

Governmental activities in fiscal year 2015-2016 including a prior period adjustment, increased the City's net position by \$13,396,668. Of the more significant results for governmental activities that contributed to this change the following was observed:

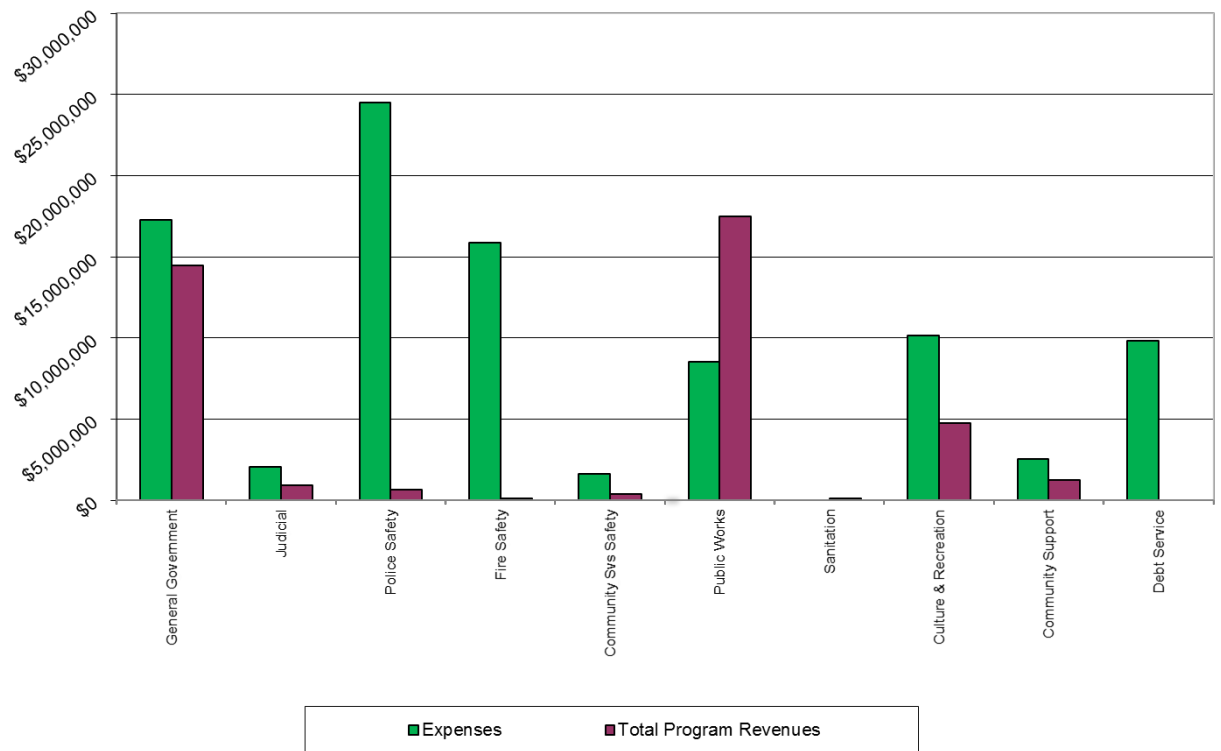
- In fiscal year 2015-2016, Governmental revenues were \$3,022,445, or 2.8 percent, less than the prior year. The decline is largely attributed to a decrease in contributed assets from the Regional Transportation Commission (RTC). Although revenues decreased, they were in excess of expenditures;

- Consolidated taxes (consisting primarily of sales taxes) increased by 8.5 percent or \$1,779,183 from fiscal year 2014-2015. This increase may indicate a level of improvement in the economy; however consolidated tax revenues are still 11.8 percent below the peak levels achieved in fiscal year 2005-2006. Sales taxes comprise over 80 percent of the consolidated tax, and the still-repressed revenues are representative of the continuing effects of the recession in the local economy during fiscal year 2015-2016;
- Ad valorem tax revenues increased by 6.3 percent, or \$1,528,807, from fiscal year 2014-2015. Since the housing decline, the City's assessed values remain decreased by 16.2 percent. Two bills passed during the 2005 Legislative Session – AB 489 and SB 509 – collectively known as the “property tax relief measure”, have significantly limited future property tax receipts, by placing caps on property tax bills of 3 percent for residential properties and up to 8 percent for certain commercial properties, based on the greater of the 10 year rolling average of assessed value growth in the county or the CPI, whichever is lower. Thus, the increases in assessed values that the City is starting to see will not result in comparable increases in revenues;
- Total expenses increased 11.6 percent, or \$9,625,444, which was primarily due to; losses on capital asset disposals within the general government function, increases in salaries and benefits within the public safety function, and increases in capital spending for roads and streets within the public works function.
- Due to actuarial information becoming available in 2015-2016 that was not available previously, a prior period adjustment of \$857,811 was made to correct amounts reported as worker's compensation claims in prior years.

Revenues by Source Governmental Activities



Expenses and Program Revenues Governmental Activities

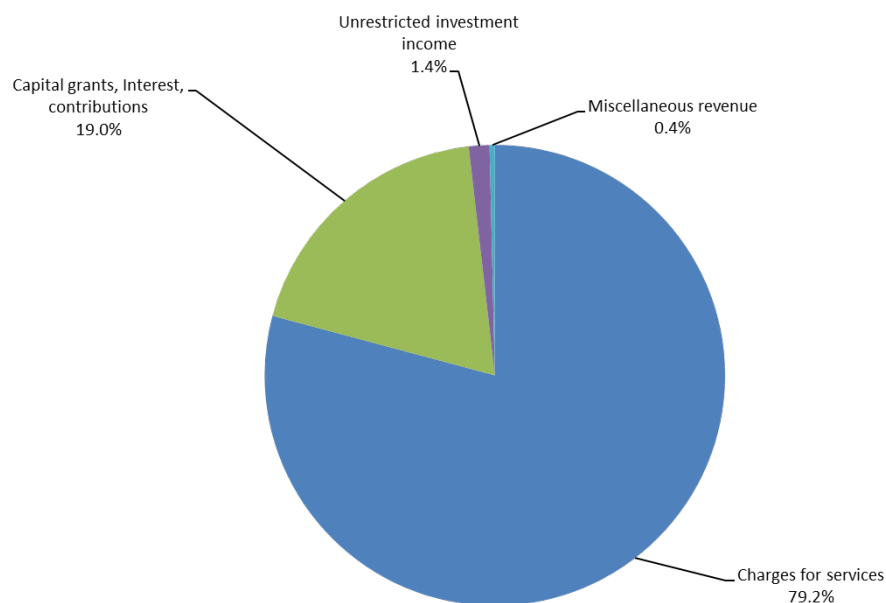


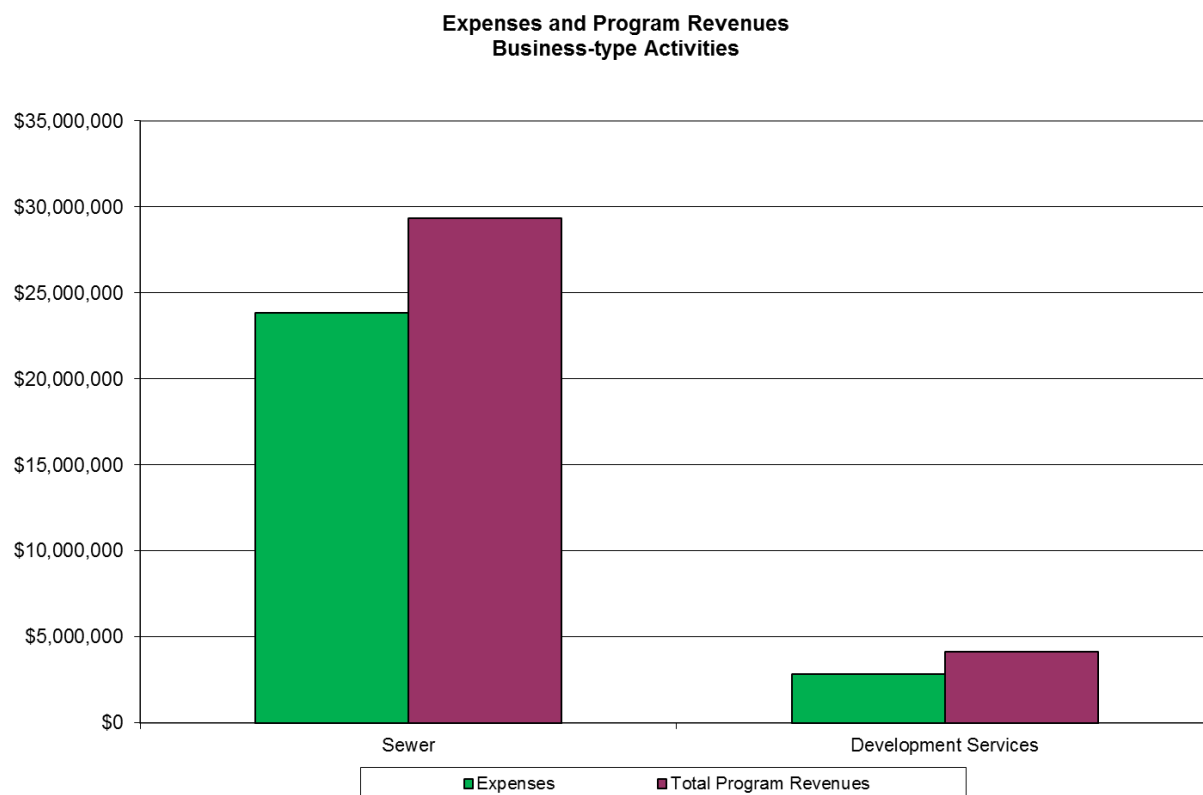
Business-type Activities

Business-type activities, in fiscal year 2015-2016 including a prior period adjustment, increased the City's net position by \$9,141,352. Significant results include:

- Total revenues increased by 9.6 percent, or \$2,987,378, which was driven primarily by an increase in revenues from services provided, such as sewer use fees and building and zoning fees;
- Total expenses increased by 9.4 percent, or \$2,300,121 primarily related to; an increase in sewer maintenance costs related to the City's share of the Truckee Meadows Water Reclamation Facility, and increased staffing in the development services fund.
- An increase to net position from a prior period adjustment related to capital asset depreciation adjustments for the Truckee Meadows Water Reclamation Facility, a jointly owned venture, in the amount of \$1,806,072 was made to correct prior year allocations of depreciation.

Revenues by Source Business Type Activities





Financial Analysis of the City’s Funds

Governmental Funds

The focus of the City of Sparks’ governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. This information may be useful in assessing the City’s financing requirements. Governmental Accounting Standards Boards Statement 54 provides fund balance classifications for governmental funds. Unassigned fund balance, in particular, may be used as a measure of a government’s net resources available for spending at the end of the fiscal year. Additional information on the City’s fund balances can be found in Note 1 of the basic financial statements.

- As of June 30, 2016, Sparks’ governmental funds reported combined ending fund balances of \$47,372,648 which is an increase of \$366,787 from fiscal year 2014-2015 ending fund balance of \$47,005,861. The increase was primarily due to an increase in amounts held that are restricted for use on improvement to the City’s downtown core, Victorian Square.
- The combined ending fund balance of \$47,372,648 is comprised of: \$36,862,092 which is restricted to specific purposes such as, but not limited to, capital projects, debt, and grants, and \$10,510,556 which is unrestricted (includes committed, assigned and unassigned balances).

- Approximately 22.2 percent of the combined ending fund balances, or \$10,510,556, is unrestricted. Of the unrestricted balance, \$1,073,424 has been committed by Council action and \$5,775,360 has been assigned by the Financial Services Director (a designee of Council) for budget deficits, encumbered purchase orders, or as required by the specific purpose of each fund. The remaining \$3,661,772 is unassigned and is available for various purposes.

General Fund

The General Fund is the primary operating fund of the City of Sparks. As of June 30, 2016, the unrestricted fund balance (includes committed, assigned and unassigned balances) was \$6,007,406, or 6.8 percent, lower than the prior year's unrestricted balance of \$6,446,283. The decline is due to an increase in transfers out for debt service and capital projects, and an increase in expenses related to salaries and benefits. Extensive effort had been made to ensure the City's expenditures do not exceed revenues to the point that will cause the unrestricted ending fund balance to fall below 8.3 percent of departmental expenditures. For fiscal year 2015-2016, the unrestricted ending balance represents 10.5 percent of expenditures (excluding capital outlay) and 10.0 percent of General Fund revenues, down from 11.3 percent for the prior fiscal year.

Although the City's General Fund balance was \$6,007,406 at June 30, 2016, it should be noted that \$2,345,634 is considered assigned for specific purposes, including \$144,140 for open purchase orders and \$2,201,494 as budgeted resources to be expended in fiscal year 2016-2017. This leaves \$3,661,772 as an unassigned ending fund balance available for various purposes.

The primary impacts upon the General Fund include a \$2,591,781 (4.5 percent) increase in revenues and transfers in, and a \$4,613,336 (8.2 percent) increase in expenditures and transfers out. The two largest areas of revenue changes were; intergovernmental revenues increased \$2,041,472 (8.7 percent) most of which is related to increased Consolidated Tax revenue collected by the state, and other taxes increased \$1,108,520 (5.7 percent) mostly related to real property tax revenues. The notable areas of increase in expenditures and transfers out were; transfers out for capital projects increased \$969,589 (107.5 percent), transfers out for debt service were \$489,831 when last year there were none, salaries and wages increased \$864,818 (3.1 percent) in relation to increased staffing and wage increases, employee health insurance expenses increased \$1,252,424 (26.1 percent). The result is that the ending fund balance within the General Fund decreased by \$439,210, or 6.8 percent, from the prior year.

General Obligation Debt Service Fund

The existing debt in this fund is either backed by sales tax revenues (STAR bonds), local improvement district assessments, consolidated tax revenues, or a payment agreement with the Redevelopment Agency of the City of Sparks. Total fund balance within the General Obligation Debt Service Fund was \$15,952,033 compared to \$15,337,891 for the prior year, an increase of 4.0 percent. All revenue collected within this fund is pledged for debt service.

Proprietary Funds

The City of Sparks' proprietary funds provide the same type of information found in the government-wide statements, but contain more detail.

The net position of the Sewer Operations Enterprise Fund was \$194,594,798 as of June 30, 2016, an increase of \$7,896,242 or 4.23 percent, over the prior year's original balance of \$186,698,556. The change in net position was impacted by prior period adjustments and current year activity. Current year activity increased by \$861,895, or 16.5 percent, above last year. The major changes were; a \$925,892 increase in revenues from sewer services provided, a \$610,663 increase in salary and benefit costs, and a \$680,374 increase in sewer connection fees. An increase to net position from a prior period adjustment related to capital asset depreciation adjustments for the Truckee Meadows Water Reclamation Facility, a jointly owned venture, in the amount of \$1,806,072 was made to correct prior year allocations of depreciation.

Net position of the Development Services Enterprise Fund increased to \$1,799,459 from \$578,288, or 211.2 percent. Increased development in the area is evidenced by an increase of \$919,399, or 28.0 percent, in revenues, primarily attributed to increases in building and zoning receipts, and a corresponding increase in expenses of \$849,259, or 42.30 percent, primarily related to an increase in staffing. Transfers out decreased by \$599,328.

General Fund Budgetary Highlights

Under state statutes, budgetary control is maintained at the function level. The final budget expenditure appropriations decreased by \$29,250, approximately 0.05 percent below the original budget. Although shifting between functions occurred, the original budget remained essentially the same as the final.

Actual revenues were \$1,042,624 more than budgeted, primarily due to an increase in consolidated tax receipts.

Actual expenditures were 1.71 percent below final amended budget, which was primarily due to salary and benefit underspends, utility costs being less than estimated, and savings on professional services.

The following functions are highlighted:

- General government achieved \$216,744 or 2.0 percent, in budgetary savings primarily from an underspend in professional services within the Management Services department;
- Public safety achieved \$324,042 or .8 percent in budgetary savings primarily from salary and benefit underspend within the Fire Department;
- Budgetary savings within the Public Works function totaled \$85,744 or 5.6 percent, which was primarily due to an underspend in electric and gas utilities;

- The Culture and Recreation function saw savings totaling \$149,883, or 5.4 percent, which was primarily due to the Community Services Department underspend in water utilities.

Capital Assets and Debt Administration

Capital Assets

The City of Sparks' investment in capital assets, net of depreciation, for its governmental and business-type activities as of June 30, 2016 amounted to \$587,957,703 compared to \$584,461,688. Capital assets include tangible items such as land, construction in progress, buildings, improvements, machinery and equipment, infrastructure, storm drains and sewer lines. Additionally, the City has intangible assets in the form of right of way easements, water rights, and software development. The total increase from fiscal year 2015-2016 operations for governmental activities was \$6,522,487, (from \$419,191,954 to \$425,714,441), while business-type activities decreased by \$3,026,472 (from \$165,269,734 to \$162,243,262).

Significant capital asset activities that occurred during fiscal year 2015-2016 included:

- Sales of land were made which resulted in a decrease in land inventory of \$5,317,450.
- Assets classified as Construction in progress increased by \$12,338,003 during fiscal year 2015-2016, primarily due to contributed assets from the Regional Transportation Commission (RTC) projects within the City.
- Assets classified as Improvements other than Buildings decreased by \$3,914,328 during the fiscal year, primarily due to depreciation.

CITY OF SPARKS' CAPITAL ASSETS Net of Depreciation

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Land | \$ 31,007,828 | \$ 36,325,278 | \$ - | \$ - | \$ 31,007,828 | \$ 36,325,278 |
| Intangibles | 3,654,379 | 3,719,333 | 2,648 | 2,648 | 3,657,027 | 3,721,981 |
| Buildings | 18,458,804 | 17,472,846 | 650,784 | 711,183 | 19,109,588 | 18,184,029 |
| Improvements other than Buildings | 38,981,813 | 42,820,057 | 888,532 | 964,616 | 39,870,345 | 43,784,673 |
| Equipment, Furnishings & Vehicles | 9,400,449 | 8,256,772 | 38,699 | 45,958 | 9,439,148 | 8,302,730 |
| Infrastructure | 203,724,193 | 202,234,242 | 153,005,282 | 156,126,382 | 356,729,475 | 358,360,624 |
| Construction in progress | 120,398,094 | 108,298,461 | 630,815 | 392,445 | 121,028,909 | 108,690,906 |
| Water Rights | 88,881 | 64,965 | 7,026,502 | 7,026,502 | 7,115,383 | 7,091,467 |
| Total | <u>\$ 425,714,441</u> | <u>\$ 419,191,954</u> | <u>\$ 162,243,262</u> | <u>\$ 165,269,734</u> | <u>\$ 587,957,703</u> | <u>\$ 584,461,688</u> |

Additional information on the City of Sparks' capital assets can be found in Note 7 to the financial statements.

Debt Administration

As of June 30, 2016, the City of Sparks had a total of \$237,750,770 of long-term liabilities outstanding. Of this amount, Governmental activities accounted for \$181,963,071 and include; general obligation debt of \$1,035,000; revenue bonds of \$112,162,608; tax allocation bonds of \$43,497,856; credits payable to developers of \$12,491; accrued compensated absences, sick leave conversion, and insurance claim liabilities totaling \$25,255,116. Business-type activities account for the remaining \$55,787,699 in total long-term liabilities outstanding. Of that amount, \$54,285,441 is made up of Sewer Utility general obligation bonds totaling \$47,928,836 and a \$6,356,605 note payable to the City of Reno representing the City of Sparks' share of the costs related to expansion at the Truckee Meadows Water Reclamation Facility. Other Business-type long-term liabilities outstanding include a total of \$1,502,258 for compensated absences, and sick leave conversion. The City of Sparks' long-term liabilities outstanding, including debt of the Redevelopment Agency, increased by \$8,665,009, or 3.8 percent, during the fiscal year ended June 30, 2016. The increase is due to the issuance of \$18,010,000 of General Obligation Medium Term Flood Control Bonds to finance flood control and drainage projects.

Additional information on the City of Sparks' outstanding long-term debt can be found in Note 9 to the financial statements.

Other Factors

- The unemployment rate in the Reno-Sparks area was 5.8 percent in June, 2016 compared to 6.3 percent in June, 2015;
- Since the national recession officially ended in 2009, the median home values within Washoe County have seen a significant rise. After peaking at approximately \$350,000 prior to the recession, the median home value plummeted to about \$150,000 during the recession. While still below the peak values seen prior to the recession, home values have rebounded significantly to about \$290,000, which reflects an increase of about 11.5 percent during the past year;
- Improved employment within the region has been a direct influence on the steady improvement of taxable sales. Fiscal year 2015-2016 is the first post-recession year that Washoe County taxable sales have surpassed the former peak of \$7.3 billion set in fiscal year 2005-2006. The amount of taxable sales within Washoe County was \$5.2 billion during fiscal year 2009-2010 during the nadir of the recession; however, since then, taxable sales within Washoe County have increased to \$7.6 billion in fiscal year 2015-2016, an increase of 46.2 percent during the past six fiscal years. We expect taxable sales to continue to improve as regional employment also improves;
- As mentioned previously, the City's Ad Valorem tax revenues increased by 6.3 percent in fiscal year 2015-2016. This was due to an increase of 10.4 percent in the assessed valuation between fiscal year 2015-2016 and fiscal year 2014-2015. As the residential housing market continues to strengthen, we anticipate ad valorem revenues to increase over the next several years. However, this increase in revenue will not necessarily match the more rapid growth in assessed valuation due to the limits on revenue growth resulting from the property tax caps put in place during the 2005 Legislative session;

- The City of Sparks' estimated population increased slightly during fiscal year 2015-2016 (1.3 percent). The high unemployment rate that caused people to relocate to areas with better employment opportunity has been steadily improving. Sparks had an annual population growth that averaged 3.4 from fiscal year 2002 to 2008, and the Nevada State Demographer's office is projecting a population increase for fiscal year 2016-2017. Looking forward, the recent announcement of several major companies moving their operations to the Tahoe Regional Industrial Center located east of Sparks on Interstate 80 is expected to attract thousands of new residents to the City of Sparks over the next decade or so;
- Building permits issued in fiscal year 2015-2016 totaled 3,712 representing an increase of 3.7 percent from 3,581 permits issued during fiscal year 2014-2015. Development activity in the area is increasing and is expected to continue increasing in 2016-2017. However, the impact of 5 steep years of declines (2007-2011) has not been overcome. Permits issued in 2015-2016 are 38.8 percent less than the number issued at the peak of the housing boom during fiscal year 2005-2006 in which 6,067 total permits were issued;
- In January of 2014, the City Council approved a four-year annual rate increase of 8.25 percent to the sewer portion of the sewer, storm drain and flood mitigation user fees. Sewer service and storm drain rates are \$322.72, and the flood mitigation fee is \$64.92, per year. In addition, sewer connection fees, which include sewer, storm drain and flood mitigation components increased from \$5,581 to \$5,678 per residence as of January 1, 2016.

All of these factors and others were considered in preparing the City's budget for the upcoming 2016-2017 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Sparks' finances. Questions concerning any of the information contained herein should be addressed to the City of Sparks, Financial Services Department, 431 Prater Way, Sparks, Nevada, 89431.

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City of Sparks, Nevada
Statement of Net Position
June 30, 2016
(with Comparative Totals for June 30, 2015)

| | Governmental Activities | Business-Type Activities | Total | 2015 |
|--|----------------------------|-----------------------------|-----------------------|-----------------------|
| Assets | | | | |
| Cash and investments | \$ 36,598,148 | \$ 48,127,591 | \$ 84,725,739 | \$ 64,075,292 |
| Accounts receivable | 17,568,543 | 2,216,674 | 19,785,217 | 21,024,951 |
| Internal balances | 2,116,585 | (2,116,585) | - | - |
| Due from other governments | 7,921,740 | 471,995 | 8,393,735 | 8,059,596 |
| Inventories | 232,720 | - | 232,720 | 287,752 |
| Prepays | - | - | - | 840 |
| Deposits | 26,027 | - | 26,027 | 16,081 |
| Notes receivable | 1,300,000 | 6,000,891 | 7,300,891 | 8,095,956 |
| Net OPEB asset | 38,537 | 5,869 | 44,406 | 52,024 |
| Restricted assets | | | | |
| Cash and investments | 13,912,654 | - | 13,912,654 | 13,915,113 |
| Investment in the Truckee Meadows Water Reclamation Facility | - | 41,572,390 | 41,572,390 | 35,464,252 |
| Capital assets | | | | |
| Land, construction in progress, intangible, assets, and water rights | 154,724,168 | 7,659,965 | 162,384,133 | 155,339,664 |
| Other capital assets, net of depreciation | 270,990,273 | 154,583,297 | 425,573,570 | 429,122,024 |
| Total assets | <u>505,429,395</u> | <u>258,522,087</u> | <u>763,951,482</u> | <u>735,453,545</u> |
| Deferred Outflows of Resources | | | | |
| Deferred amount on bond refundings | 142,898 | - | 142,898 | 486,604 |
| Deferred outflows related to pensions | 10,840,446 | 1,094,210 | 11,934,656 | 10,971,116 |
| Total deferred outflows of resources | <u>10,983,344</u> | <u>1,094,210</u> | <u>12,077,554</u> | <u>11,457,720</u> |
| Total assets and deferred outflow of resources | <u>516,412,739</u> | <u>259,616,297</u> | <u>776,029,036</u> | <u>746,911,265</u> |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 3,153,567 | 363,118 | 3,516,685 | 3,038,278 |
| Accrued interest payable | 3,037,111 | 702,315 | 3,739,426 | 5,282,086 |
| Contracts and retentions payable | 653,142 | 210,730 | 863,872 | 1,693,360 |
| Deposits | 43,451 | 75,500 | 118,951 | 66,782 |
| Due to other governments | 1,804,100 | 1,065,904 | 2,870,004 | 3,375,627 |
| Unearned revenue | 495,783 | 162,771 | 658,554 | 521,082 |
| Noncurrent liabilities | | | | |
| Due within one year | 26,187,809 | 5,825,692 | 32,013,501 | 29,005,676 |
| Due in more than one year | 155,775,262 | 49,962,007 | 205,737,269 | 199,222,274 |
| Refundable deposits | - | 70,000 | 70,000 | 70,000 |
| Net pension liability | 71,563,956 | 5,843,665 | 77,407,621 | 71,650,806 |
| Net OPEB obligation | 7,959,800 | 143,495 | 8,103,295 | 7,466,377 |
| Total liabilities | <u>270,673,981</u> | <u>64,425,197</u> | <u>335,099,178</u> | <u>321,392,348</u> |
| Deferred Inflows of Resources | | | | |
| Deferred inflows related to pensions | 10,166,313 | 913,428 | 11,079,741 | 18,206,820 |
| Total liabilities and deferred inflow of resources | <u>280,840,294</u> | <u>65,338,625</u> | <u>346,178,919</u> | <u>339,599,168</u> |
| Net Position | | | | |
| Net investment in capital assets | 364,071,812 | 133,052,926 | 497,124,738 | 481,873,690 |
| Restricted for | | | | |
| Court improvements | 1,142,066 | - | 1,142,066 | 1,060,375 |
| Road and street projects | 4,371,999 | - | 4,371,999 | 5,982,252 |
| Grants | 1,457,663 | - | 1,457,663 | 1,500,034 |
| Claims | 191,478 | - | 191,478 | 836,361 |
| Debt service | 18,910,066 | - | 18,910,066 | 17,298,588 |
| Capital projects | 8,594,865 | - | 8,594,865 | 8,156,523 |
| Promotion of special events | 159,265 | - | 159,265 | 156,588 |
| Public safety | 547,422 | - | 547,422 | 598,490 |
| Unrestricted | (163,874,191) | 61,224,746 | (102,649,445) | (110,150,804) |
| Total Net Position | <u>\$ 235,572,445</u> | <u>\$ 194,277,672</u> | <u>\$ 429,850,117</u> | <u>\$ 407,312,097</u> |

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------|-------------------------|---|---|
| | | Charges for Services | Operating Grants, Interest, Contributions | Capital Grants, Interest, Contributions |
| Governmental activities | | | | |
| General government | \$ 17,259,801 | \$ 14,374,893 | \$ - | \$ 94,486 |
| Judicial | 2,085,243 | 940,585 | - | - |
| Public safety | | | | |
| Police | 24,479,600 | 295,389 | 271,679 | 71,511 |
| Fire | 15,875,446 | 53,115 | 64,967 | - |
| Community services | 1,634,836 | 370,037 | - | - |
| Public works | 8,564,996 | 3,124,194 | - | 14,344,165 |
| Sanitation | - | 112,103 | - | - |
| Culture and recreation | 10,163,718 | 4,688,917 | 68,964 | 5,049 |
| Community support | 2,577,879 | 15,000 | 1,129,069 | 96,549 |
| Debt service | | | | |
| Interest and fiscal charges | 9,827,453 | - | - | - |
| Total governmental activities | 92,468,972 | 23,974,233 | 1,534,679 | 14,611,760 |
| Business-type activities | | | | |
| Sewer | 23,863,114 | 22,858,463 | - | 6,490,750 |
| Development Services | 2,871,068 | 4,153,119 | - | - |
| Total business-type activities | 26,734,182 | 27,011,582 | - | 6,490,750 |
| Total primary government | \$ 119,203,154 | \$ 50,985,815 | \$ 1,534,679 | \$ 21,102,510 |
| General revenues | | | | |
| Ad valorem taxes | | | | |
| Special assessments - taxes | | | | |
| Unrestricted intergovernmental - consolidated taxes | | | | |
| Dedicated sales tax - improvement districts | | | | |
| Unrestricted fair share distribution, state shared | | | | |
| Motor vehicle fuel taxes | | | | |
| Unrestricted gaming licenses, state shared | | | | |
| Room taxes | | | | |
| Governmental services tax | | | | |
| Unrestricted investment income | | | | |
| Miscellaneous revenue | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in Net Position | | | | |
| Net Position, Beginning of Year, as Originally Reported | | | | |
| Prior Period Adjustment | | | | |
| Net Position, Beginning of Year, as Restated | | | | |
| Net Position, End of Year | | | | |

See Notes to Financial Statements

City of Sparks, Nevada
Statement of Activities
Year Ended June 30, 2016
(with Comparative Totals for Year Ended June 30, 2015)

| Net (Expense) Revenue and Change in Net Position | | | |
|---|-----------------------------|-----------------------|-----------------------|
| Governmental Activities | Business-Type Activities | Total | 2015 |
| \$ (2,790,422) | \$ - | \$ (2,790,422) | \$ 658,788 |
| (1,144,658) | - | (1,144,658) | (1,160,207) |
| (23,841,021) | - | (23,841,021) | (21,314,932) |
| (15,757,364) | - | (15,757,364) | (15,213,126) |
| (1,264,799) | - | (1,264,799) | (1,188,285) |
| 8,903,363 | - | 8,903,363 | 19,736,039 |
| 112,103 | - | 112,103 | 89,864 |
| (5,400,788) | - | (5,400,788) | (5,319,514) |
| (1,337,261) | - | (1,337,261) | (715,480) |
| (9,827,453) | - | (9,827,453) | (11,187,762) |
| (52,348,300) | - | (52,348,300) | (35,614,615) |
| - | 5,486,099 | 5,486,099 | 5,023,843 |
| - | 1,282,051 | 1,282,051 | 1,275,690 |
| - | 6,768,150 | 6,768,150 | 6,299,533 |
| (52,348,300) | 6,768,150 | (45,580,150) | (29,315,082) |
| 25,735,620 | - | 25,735,620 | 24,206,813 |
| 1,197,930 | - | 1,197,930 | 1,082,636 |
| 22,695,286 | - | 22,695,286 | 20,916,103 |
| 10,659,831 | - | 10,659,831 | 10,184,516 |
| 1,717,502 | - | 1,717,502 | 1,647,304 |
| 2,244,970 | - | 2,244,970 | 2,064,923 |
| 396,427 | - | 396,427 | 425,787 |
| 1,003,314 | - | 1,003,314 | 888,814 |
| 177,572 | - | 177,572 | 207,167 |
| 506,173 | 493,674 | 999,847 | 501,456 |
| 215,107 | 126,503 | 341,610 | 739,953 |
| 53,047 | (53,047) | - | - |
| 66,602,779 | 567,130 | 67,169,909 | 62,865,472 |
| 14,254,479 | 7,335,280 | 21,589,759 | 33,550,390 |
| 222,175,777 | 185,136,320 | 407,312,097 | 373,761,707 |
| (857,811) | 1,806,072 | 948,261 | - |
| 221,317,966 | 186,942,392 | 408,260,358 | 373,761,707 |
| <u>\$ 235,572,445</u> | <u>\$ 194,277,672</u> | <u>\$ 429,850,117</u> | <u>\$ 407,312,097</u> |

City of Sparks, Nevada
Balance Sheet – Governmental Funds
June 30, 2016
(with Comparative Totals for June 30, 2015)

| | General Fund | General Obligation Debt Service | Other Governmental Funds | Total Governmental Funds | 2015 |
|--|----------------------|---------------------------------------|--------------------------------|--------------------------------|----------------------|
| Assets | | | | | |
| Cash and investments | \$ 4,028,173 | \$ 4,130,967 | \$ 19,888,580 | \$ 28,047,720 | \$ 27,361,866 |
| Accounts receivable, net | 1,087,743 | 14,294,813 | 2,129,987 | 17,512,543 | 18,722,364 |
| Notes receivable | - | - | 1,300,000 | 1,300,000 | 1,600,000 |
| Prepays | - | - | - | - | 333 |
| Due from other funds | 64,284 | - | - | 64,284 | 242,836 |
| Due from other governments | 4,873,220 | 2,084,142 | 891,706 | 7,849,068 | 7,362,346 |
| Restricted assets | | | | | |
| Cash and investments | - | 9,736,924 | 4,175,730 | 13,912,654 | 13,915,113 |
| Total assets | \$ 10,053,420 | \$ 30,246,846 | \$ 28,386,003 | \$ 68,686,269 | \$ 69,204,858 |
| Liabilities | | | | | |
| Accounts payable | \$ 581,772 | \$ - | \$ 324,562 | \$ 906,334 | \$ 797,737 |
| Accrued liabilities | 1,459,338 | - | 195,703 | 1,655,041 | 1,345,165 |
| Contracts payable | 4,500 | - | 549,628 | 554,128 | 1,072,656 |
| Contract retentions payable | - | - | 87,764 | 87,764 | 53,236 |
| Refundable deposits | 26,128 | - | 17,323 | 43,451 | 40,282 |
| Unearned revenues | 279,306 | - | 176,269 | 455,575 | 335,646 |
| Due to other funds | - | - | 64,284 | 64,284 | 242,836 |
| Due to other governments | 1,560,058 | - | 138,652 | 1,698,710 | 1,482,307 |
| Total liabilities | 3,911,102 | - | 1,554,185 | 5,465,287 | 5,369,865 |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue – grants | - | - | 1,324,016 | 1,324,016 | 1,227,467 |
| Unavailable revenue – property taxes and other | 134,912 | - | 94,593 | 229,505 | 506,701 |
| Unavailable revenue – special assessments | - | 14,294,813 | - | 14,294,813 | 15,094,964 |
| Total deferred inflows of resources | 134,912 | 14,294,813 | 1,418,609 | 15,848,334 | 16,829,132 |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Prepaid items | - | - | - | - | 333 |
| Restricted for | | | | | |
| Grants and donations | - | - | 128,259 | 128,259 | 125,516 |
| Law enforcement | - | - | 547,422 | 547,422 | 598,490 |
| Promotion of special events | - | - | 159,265 | 159,265 | 156,588 |
| Various judicial uses | - | - | 168,745 | 168,745 | 134,919 |
| Municipal facilities construction | - | - | 141,561 | 141,561 | 191,794 |
| Court fee collection programs | - | - | 792,690 | 792,690 | 712,210 |
| Developer agreements | - | - | 1,134,203 | 1,134,203 | 453,174 |
| Bond proceeds defined projects | - | - | 36,960 | 36,960 | 249,870 |
| Debt service reserve | - | 15,952,033 | 5,598,187 | 21,550,220 | 20,804,763 |
| Parks and recreation | - | - | 3,460,484 | 3,460,484 | 3,068,879 |
| Street improvements and rehabilitation | - | - | 3,832,672 | 3,832,672 | 5,123,398 |
| Capital projects | - | - | 1,469,763 | 1,469,763 | 1,525,076 |
| Improvements to Victorian Square | - | - | 3,439,848 | 3,439,848 | 2,622,451 |
| Committed for | | | | | |
| Economic development | - | - | 40,393 | 40,393 | 16,933 |
| Parks and recreation | - | - | 150,744 | 150,744 | 108,178 |
| Road surface repairs | - | - | 646,996 | 646,996 | 442,206 |
| Economic stabilization | - | - | 235,291 | 235,291 | 231,107 |
| Assigned for | | | | | |
| Purchases on order | 144,140 | - | - | 144,140 | 160,223 |
| Specific capital projects | - | - | 1,191,888 | 1,191,888 | 884,916 |
| Next year's budget deficit | 2,201,494 | - | 173,383 | 2,374,877 | 2,702,108 |
| Other capital projects | - | - | 2,064,455 | 2,064,455 | 2,745,877 |
| Unassigned | 3,661,772 | - | - | 3,661,772 | 3,946,852 |
| Total fund balances | 6,007,406 | 15,952,033 | 25,413,209 | 47,372,648 | 47,005,861 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 10,053,420 | \$ 30,246,846 | \$ 28,386,003 | \$ 68,686,269 | \$ 69,204,858 |

City of Sparks, Nevada
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds
June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|--|----------------------|------------------------------|
| Total fund balances - total governmental funds | | \$ 47,372,648 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | |
| Governmental capital assets | 570,825,722 | |
| Less accumulated depreciation | <u>(153,714,976)</u> | |
| | | 417,110,746 |
| Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. | | |
| General obligation bonds and note payable | (1,035,000) | |
| Revenue bonds payable | (112,162,608) | |
| Tax allocation bonds payable | (43,497,856) | |
| Compensated absences payable | (11,792,761) | |
| Net pension liability | (70,685,429) | |
| Net OPEB asset (obligation) | (7,887,119) | |
| Sick leave conversion payable | (4,986,991) | |
| Developer credits payable | <u>(12,491)</u> | |
| | | (252,060,255) |
| Interest payable | | (3,037,111) |
| Unavailable revenue represents amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds. | | 15,848,334 |
| Deferred outflows and inflows of resources related to pensions and bond refundings are applicable to future periods and, therefore, are not reports in the governmental funds. | | |
| Deferred outflows of resources related to pensions | 10,675,696 | |
| Deferred outflows of resources related to bond refundings | 142,898 | |
| Deferred inflows of resources related to pensions | <u>(10,024,963)</u> | |
| | | 793,631 |
| Internal service funds are used by management to charge the costs of certain activities of individual funds. Net position of the internal service funds are reported with governmental activities. | | 7,427,867 |
| Internal balances is a receivable from/(payable to) business-type activities | | <u>2,116,585</u> |
| Net position of governmental activities | | <u><u>\$ 235,572,445</u></u> |

City of Sparks, Nevada

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2016
(with Comparative Totals for Year Ended June 30, 2015)

| | General Fund | General Obligation Debt Service | Other Governmental Funds | Total Governmental Funds | 2015 |
|--|---------------------|---------------------------------------|--------------------------------|--------------------------------|----------------------|
| Revenues | | | | | |
| Taxes | \$ 20,497,045 | \$ 1,998,081 | \$ 6,474,822 | \$ 28,969,948 | \$ 27,564,923 |
| Licenses and permits | 11,126,507 | - | 4,766,321 | 15,892,828 | 15,806,282 |
| Intergovernmental revenues | 25,524,309 | 10,659,831 | 4,539,957 | 40,724,097 | 38,118,419 |
| Charges for services | 2,355,528 | - | 2,830,495 | 5,186,023 | 5,085,419 |
| Fines and forfeits | 663,882 | - | - | 663,882 | 653,313 |
| Miscellaneous | 200,849 | 67,863 | 578,177 | 846,889 | 435,736 |
| Total revenues | 60,368,120 | 12,725,775 | 19,189,772 | 92,283,667 | 87,664,092 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 10,721,146 | - | 258,712 | 10,979,858 | 10,113,421 |
| Judicial | 1,881,161 | - | 117,316 | 1,998,477 | 2,097,670 |
| Public safety | 40,123,760 | - | 942,265 | 41,066,025 | 39,716,955 |
| Public works | 1,453,066 | - | 3,374,676 | 4,827,742 | 4,774,668 |
| Culture and recreation | 2,621,059 | - | 4,637,914 | 7,258,973 | 6,820,522 |
| Community support | 205,986 | - | 1,596,758 | 1,802,744 | 901,936 |
| Total current expenditures | 57,006,178 | - | 10,927,641 | 67,933,819 | 64,425,172 |
| Capital outlay | | | | | |
| General government | - | - | 1,605,705 | 1,605,705 | 1,187,508 |
| Judicial | - | - | 97,689 | 97,689 | 25,839 |
| Public safety | 6,013 | - | 194,234 | 200,247 | 458,091 |
| Public works | - | - | 3,103,478 | 3,103,478 | 1,513,221 |
| Culture and recreation | 8,725 | - | 689,497 | 698,222 | 1,637,357 |
| Community support | - | - | 213,285 | 213,285 | 260,657 |
| Total capital outlay | 14,738 | - | 5,903,888 | 5,918,626 | 5,082,673 |
| Debt service | | | | | |
| Principal | - | 4,903,000 | 2,495,000 | 7,398,000 | 13,797,000 |
| Interest | - | 9,297,331 | 1,623,650 | 10,920,981 | 11,208,334 |
| Fiscal charges and other | - | - | 4,366 | 4,366 | 62,082 |
| Refunding bond issuance costs | - | - | - | - | 149,733 |
| Total debt service | - | 14,200,331 | 4,123,016 | 18,323,347 | 25,217,149 |
| Total expenditures | 57,020,916 | 14,200,331 | 20,954,545 | 92,175,792 | 94,724,994 |
| Excess (Deficiency) of Revenues over Expenditures | 3,347,204 | (1,474,556) | (1,764,773) | 107,875 | (7,060,902) |
| Other Financing Sources (Uses) | | | | | |
| Capital asset sales | - | - | 934,000 | 934,000 | 2,150,000 |
| Refunding bonds issued | - | - | - | - | 7,285,000 |
| Payments to refunded bond escrow agent | - | - | - | - | (7,132,187) |
| Transfers | | | | | |
| Transfers in | - | 2,088,698 | 4,453,789 | 6,542,487 | 5,749,856 |
| Transfers out | (3,786,414) | - | (3,431,161) | (7,217,575) | (5,108,490) |
| Total other financing sources (uses) | (3,786,414) | 2,088,698 | 1,956,628 | 258,912 | 2,944,179 |
| Net Change in Fund Balances | (439,210) | 614,142 | 191,855 | 366,787 | (4,116,723) |
| Fund Balances, Beginning of Year | 6,446,616 | 15,337,891 | 25,221,354 | 47,005,861 | 51,122,584 |
| Fund Balances, End of Year | \$ 6,007,406 | \$ 15,952,033 | \$ 25,413,209 | \$ 47,372,648 | \$ 47,005,861 |

City of Sparks, Nevada

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of
Activities – Governmental Funds
Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 366,787

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

| | | |
|---------------------------------|--------------------|-------------|
| Expenditures for capital assets | 5,918,626 | |
| Proceeds from sale of assets | (934,000) | |
| Sale/disposition of assets | (5,173,832) | |
| Less current year depreciation | <u>(8,711,745)</u> | (8,900,951) |

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

| | | |
|--|-------------------|------------|
| Change in unavailable revenue - grants | 96,549 | |
| Change in unavailable revenue - property and other taxes | (277,196) | |
| Change in unavailable revenue - special assessments | (800,151) | |
| Donated capital assets | <u>14,186,135</u> | 13,205,337 |

Bond and lease proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and lease principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|---------------------------------|------------------|-----------|
| Amortization of bond refundings | (343,706) | |
| Principal payments | <u>7,398,000</u> | 7,054,294 |

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

| | | |
|--|----------------|---------|
| Amortization of current year bond discounts | (228,951) | |
| Change in accrued interest | 1,671,689 | |
| Change in developer credits payable | 134,510 | |
| Change in long-term compensated absences payable | (894,137) | |
| Change in net OPEB obligation | (629,474) | |
| Change in sick leave conversion payable | <u>177,916</u> | 231,553 |

Governmental funds report City pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense.

| | | |
|----------------------------|--------------------|-----------|
| City pension contributions | 9,659,976 | |
| City pension expense | <u>(7,653,978)</u> | 2,005,998 |

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

291,461

Change in net position of governmental activities \$ 14,254,479

City of Sparks, Nevada

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | Budgeted Amounts | | Actual | Variance with Final Budget | 2015 |
|--|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | | | | | |
| Real property | \$ 19,000,000 | \$ 19,000,000 | \$ 19,375,358 | \$ 375,358 | \$ 18,182,832 |
| Personal property | 1,191,000 | 1,191,000 | 1,121,687 | (69,313) | 1,205,693 |
| | <u>20,191,000</u> | <u>20,191,000</u> | <u>20,497,045</u> | <u>306,045</u> | <u>19,388,525</u> |
| Licenses and permits | | | | | |
| Business licenses and permits | | | | | |
| Business licenses | 4,352,610 | 4,352,610 | 4,428,284 | 75,674 | 4,164,433 |
| Business license penalties | 120,000 | 120,000 | 117,281 | (2,719) | 102,827 |
| Liquor licenses | 257,315 | 257,315 | 250,172 | (7,143) | 241,746 |
| City gaming licenses | 632,966 | 632,966 | 563,378 | (69,588) | 582,524 |
| Telecommunication licenses | 1,140,505 | 1,140,505 | 999,807 | (140,698) | 1,088,952 |
| Franchise fees | | | | | |
| Gas | 613,600 | 613,600 | 584,935 | (28,665) | 624,801 |
| Electric | 1,632,000 | 1,632,000 | 1,444,639 | (187,361) | 1,565,868 |
| Water | 481,440 | 481,440 | 407,283 | (74,157) | 452,058 |
| Sanitation | 1,149,718 | 1,149,718 | 1,186,158 | 36,440 | 1,151,815 |
| Other | 867,530 | 867,530 | 899,389 | 31,859 | 805,049 |
| Other licenses and permits | 212,965 | 212,965 | 245,181 | 32,216 | 214,849 |
| | <u>11,460,649</u> | <u>11,460,649</u> | <u>11,126,507</u> | <u>(334,142)</u> | <u>10,994,922</u> |
| Intergovernmental revenues | | | | | |
| Federal and state grants | - | - | 825 | 825 | 625 |
| State shared revenue | | | | | |
| Consolidated taxes payment | 21,740,000 | 21,740,000 | 22,695,286 | 955,286 | 20,916,103 |
| Fair share distribution | 1,580,000 | 1,580,000 | 1,828,889 | 248,889 | 1,535,917 |
| Other local government shared revenues | | | | | |
| County gaming licenses (City's share) | 580,110 | 580,110 | 396,427 | (183,683) | 425,787 |
| Other | 602,882 | 602,882 | 602,882 | - | 604,405 |
| | <u>24,502,992</u> | <u>24,502,992</u> | <u>25,524,309</u> | <u>1,021,317</u> | <u>23,482,837</u> |
| Charges for services | | | | | |
| General government | | | | | |
| Building and zoning fees | 15,000 | 15,000 | 2,450 | (12,550) | 3,975 |
| Other | 2,409,655 | 2,409,655 | 2,353,078 | (56,577) | 2,392,380 |
| | <u>2,424,655</u> | <u>2,424,655</u> | <u>2,355,528</u> | <u>(69,127)</u> | <u>2,396,355</u> |
| Fines and forfeits | | | | | |
| Fines - Court | 567,000 | 567,000 | 655,739 | 88,739 | 645,491 |
| Forfeits - Bail | 13,500 | 13,500 | 6,373 | (7,127) | 7,822 |
| Forfeits - Other | - | - | 1,770 | 1,770 | - |
| | <u>580,500</u> | <u>580,500</u> | <u>663,882</u> | <u>83,382</u> | <u>653,313</u> |
| Miscellaneous | | | | | |
| Investment income | 40,000 | 40,000 | 63,773 | 23,773 | 38,487 |
| Rents and royalties | 66,700 | 66,700 | 66,938 | 238 | 66,584 |
| Other | 59,000 | 59,000 | 70,138 | 11,138 | 43,816 |
| | <u>165,700</u> | <u>165,700</u> | <u>200,849</u> | <u>35,149</u> | <u>148,887</u> |
| Total revenues | <u>59,325,496</u> | <u>59,325,496</u> | <u>60,368,120</u> | <u>1,042,624</u> | <u>57,064,839</u> |

City of Sparks, Nevada

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | Budgeted Amounts | | Actual | Variance with Final Budget | 2015 |
|----------------------------|-------------------|-------------------|-------------------|-------------------------------|-------------------|
| | Original | Final | | | |
| Expenditures | | | | | |
| General government | | | | | |
| Executive (Mayor) | | | | | |
| Salaries and wages | \$ 58,677 | \$ 58,677 | \$ 60,760 | \$ (2,083) | \$ 58,915 |
| Employee benefits | 50,466 | 50,466 | 47,540 | 2,926 | 44,658 |
| Services and supplies | 7,292 | 7,292 | 2,270 | 5,022 | 2,492 |
| | <u>116,435</u> | <u>116,435</u> | <u>110,570</u> | <u>5,865</u> | <u>106,065</u> |
| Legislative (City Council) | | | | | |
| Salaries and wages | 245,205 | 245,205 | 253,516 | (8,311) | 247,481 |
| Employee benefits | 169,500 | 169,500 | 173,029 | (3,529) | 152,607 |
| Services and supplies | 12,348 | 12,348 | 13,077 | (729) | 10,160 |
| | <u>427,053</u> | <u>427,053</u> | <u>439,622</u> | <u>(12,569)</u> | <u>410,248</u> |
| Management services | | | | | |
| Salaries and wages | 1,534,061 | 1,534,061 | 1,530,488 | 3,573 | 1,420,520 |
| Employee benefits | 1,944,189 | 1,944,189 | 1,807,574 | 136,615 | 1,561,721 |
| Services and supplies | 1,863,887 | 1,789,314 | 1,587,040 | 202,274 | 1,368,697 |
| | <u>5,342,137</u> | <u>5,267,564</u> | <u>4,925,102</u> | <u>342,462</u> | <u>4,350,938</u> |
| Legal (City Attorney) | | | | | |
| Salaries and wages | 914,022 | 914,022 | 942,735 | (28,713) | 915,826 |
| Employee benefits | 503,029 | 503,029 | 504,423 | (1,394) | 446,074 |
| Services and supplies | 101,790 | 101,790 | 95,586 | 6,204 | 81,670 |
| | <u>1,518,841</u> | <u>1,518,841</u> | <u>1,542,744</u> | <u>(23,903)</u> | <u>1,443,570</u> |
| Finance | | | | | |
| Salaries and wages | 1,407,088 | 1,407,088 | 1,528,329 | (121,241) | 1,404,542 |
| Employee benefits | 733,969 | 733,969 | 768,991 | (35,022) | 629,931 |
| Services and supplies | 624,108 | 623,419 | 624,430 | (1,011) | 556,103 |
| | <u>2,765,165</u> | <u>2,764,476</u> | <u>2,921,750</u> | <u>(157,274)</u> | <u>2,590,576</u> |
| Community services | | | | | |
| Salaries and wages | 500,622 | 495,553 | 468,543 | 27,010 | 437,885 |
| Employee benefits | 253,812 | 253,812 | 247,480 | 6,332 | 188,435 |
| Services and supplies | 90,246 | 94,156 | 65,335 | 28,821 | 115,532 |
| | <u>844,680</u> | <u>843,521</u> | <u>781,358</u> | <u>62,163</u> | <u>741,852</u> |
| Total general government | <u>11,014,311</u> | <u>10,937,890</u> | <u>10,721,146</u> | <u>216,744</u> | <u>9,643,249</u> |
| Judicial | | | | | |
| Municipal Court | | | | | |
| Salaries and wages | 1,150,534 | 1,150,534 | 1,047,425 | 103,109 | 1,088,594 |
| Employee benefits | 731,413 | 731,414 | 644,769 | 86,645 | 622,655 |
| Services and supplies | 198,055 | 198,056 | 188,967 | 9,089 | 187,123 |
| Total judicial | <u>2,080,002</u> | <u>2,080,004</u> | <u>1,881,161</u> | <u>198,843</u> | <u>1,898,372</u> |
| Public safety | | | | | |
| Police department | | | | | |
| Salaries and wages | 13,203,619 | 13,200,118 | 13,536,307 | (336,189) | 12,667,885 |
| Employee benefits | 7,851,840 | 7,851,840 | 7,773,134 | 78,706 | 6,913,130 |
| Services and supplies | 2,527,749 | 2,600,600 | 2,581,150 | 19,450 | 2,631,106 |
| | <u>23,583,208</u> | <u>23,652,558</u> | <u>23,890,591</u> | <u>(238,033)</u> | <u>22,212,121</u> |

City of Sparks, Nevada

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | Budgeted Amounts | | | Variance with | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Original | Final | Actual | Final Budget | 2015 |
| Fire department | | | | | |
| Salaries and wages | \$ 8,886,376 | \$ 8,886,376 | \$ 8,676,991 | \$ 209,385 | \$ 9,048,231 |
| Employee benefits | 5,050,751 | 5,050,751 | 4,982,996 | 67,755 | 4,489,096 |
| Services and supplies | 1,378,358 | 1,428,358 | 1,263,831 | 164,527 | 1,785,985 |
| Capital outlay | 60,348 | 10,348 | 6,013 | 4,335 | - |
| | <u>15,375,833</u> | <u>15,375,833</u> | <u>14,929,831</u> | <u>446,002</u> | <u>15,323,312</u> |
| Community services | | | | | |
| Salaries and wages | 58,543 | 58,543 | 61,578 | (3,035) | 58,354 |
| Employee benefits | 42,855 | 42,855 | 44,194 | (1,339) | 36,917 |
| Services and supplies | 1,324,025 | 1,324,026 | 1,203,579 | 120,447 | 1,267,256 |
| | <u>1,425,423</u> | <u>1,425,424</u> | <u>1,309,351</u> | <u>116,073</u> | <u>1,362,527</u> |
| Total public safety | <u>40,384,464</u> | <u>40,453,815</u> | <u>40,129,773</u> | <u>324,042</u> | <u>38,897,960</u> |
| Public works | | | | | |
| Community services | | | | | |
| Salaries and wages | 428,402 | 428,402 | 415,822 | 12,580 | 345,929 |
| Employee benefits | 249,240 | 249,240 | 234,888 | 14,352 | 177,045 |
| Services and supplies | 885,717 | 861,168 | 802,356 | 58,812 | 861,858 |
| | <u>1,563,359</u> | <u>1,538,810</u> | <u>1,453,066</u> | <u>85,744</u> | <u>1,384,832</u> |
| Culture and recreation | | | | | |
| Community services | | | | | |
| Salaries and wages | 501,422 | 501,422 | 537,329 | (35,907) | 500,843 |
| Employee benefits | 367,777 | 367,777 | 383,122 | (15,345) | 308,774 |
| Services and supplies | 1,889,588 | 1,892,175 | 1,700,608 | 191,567 | 1,801,664 |
| Capital outlay | 18,293 | 18,293 | 8,725 | 9,568 | - |
| | <u>2,777,080</u> | <u>2,779,667</u> | <u>2,629,784</u> | <u>149,883</u> | <u>2,611,281</u> |
| Community support | | | | | |
| Management services | | | | | |
| Services and supplies | 217,867 | 217,647 | 205,986 | 11,661 | 186,300 |
| Total expenditures | <u>58,037,083</u> | <u>58,007,833</u> | <u>57,020,916</u> | <u>986,917</u> | <u>54,621,994</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1,288,413</u> | <u>1,317,663</u> | <u>3,347,204</u> | <u>2,029,541</u> | <u>2,442,845</u> |
| Other Financing Sources (Uses) | | | | | |
| Contingency | (1,000,000) | (1,000,000) | - | 1,000,000 | - |
| Transfers | | | | | |
| Transfers in | 1,000,000 | 1,000,000 | - | (1,000,000) | 711,500 |
| Transfers out | (3,787,846) | (3,787,846) | (3,786,414) | 1,432 | (1,572,000) |
| Total other financing sources (uses) | <u>(3,787,846)</u> | <u>(3,787,846)</u> | <u>(3,786,414)</u> | <u>1,432</u> | <u>(860,500)</u> |
| Net Change in Fund Balances | (2,499,433) | (2,470,183) | (439,210) | 2,030,973 | 1,582,345 |
| Fund Balances, Beginning of Year | <u>5,945,640</u> | <u>5,916,386</u> | <u>6,446,616</u> | <u>530,230</u> | <u>4,864,271</u> |
| Fund Balances, End of Year | <u>\$ 3,446,207</u> | <u>\$ 3,446,203</u> | <u>\$ 6,007,406</u> | <u>\$ 2,561,203</u> | <u>\$ 6,446,616</u> |

City of Sparks, Nevada
Statement of Net Position – Proprietary Funds
June 30, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|---|-------------------------------------|------------------------------|--|
| | Sewer Operations | Nonmajor Development Services | Total Enterprise Funds | |
| Assets | | | | |
| Unrestricted current assets | | | | |
| Cash and investments | \$ 44,043,432 | \$ 4,084,159 | \$ 48,127,591 | \$ 8,550,428 |
| Accounts receivable | 2,216,674 | - | 2,216,674 | 56,000 |
| Notes receivable | 510,275 | - | 510,275 | - |
| Due from other governments | 471,995 | - | 471,995 | 72,672 |
| Deposits | - | - | - | 26,027 |
| Inventory of supplies | - | - | - | 232,720 |
| Total unrestricted current assets | <u>47,242,376</u> | <u>4,084,159</u> | <u>51,326,535</u> | <u>8,937,847</u> |
| Noncurrent assets | | | | |
| Capital assets | | | | |
| Construction in progress | 630,815 | - | 630,815 | 1,572,931 |
| Intangible assets | 2,648 | - | 2,648 | - |
| Buildings | 982,424 | - | 982,424 | 451,019 |
| Site improvements | 3,657,383 | - | 3,657,383 | 245,445 |
| Machinery and equipment | 372,373 | 93,679 | 466,052 | 23,887,198 |
| Water rights | 7,026,502 | - | 7,026,502 | - |
| Roads and streets | 4,301,010 | - | 4,301,010 | - |
| Storm drains | 103,973,658 | - | 103,973,658 | - |
| Sewer lines | 141,673,547 | - | 141,673,547 | - |
| | <u>262,620,360</u> | <u>93,679</u> | <u>262,714,039</u> | <u>26,156,593</u> |
| Less accumulated depreciation | <u>100,377,098</u> | <u>93,679</u> | <u>100,470,777</u> | <u>17,552,898</u> |
| Capital assets, net | <u>162,243,262</u> | <u>-</u> | <u>162,243,262</u> | <u>8,603,695</u> |
| Other noncurrent assets | | | | |
| Net OPEB asset | 2,897 | 2,972 | 5,869 | 371 |
| Investment in Truckee Meadows Water Reclamation Facility | 41,572,390 | - | 41,572,390 | - |
| Notes receivable, net | 5,490,616 | - | 5,490,616 | - |
| Total other noncurrent assets | <u>47,065,903</u> | <u>2,972</u> | <u>47,068,875</u> | <u>371</u> |
| Total noncurrent assets | <u>209,309,165</u> | <u>2,972</u> | <u>209,312,137</u> | <u>8,604,066</u> |
| Total assets | <u>256,551,541</u> | <u>4,087,131</u> | <u>260,638,672</u> | <u>17,541,913</u> |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related pensions | <u>776,426</u> | <u>317,784</u> | <u>1,094,210</u> | <u>164,750</u> |
| Total Assets and Deferred Outflows of Resources | <u>257,327,967</u> | <u>4,404,915</u> | <u>261,732,882</u> | <u>17,706,663</u> |

City of Sparks, Nevada
Statement of Net Position – Proprietary Funds
June 30, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|---|-------------------------------------|------------------------------|--|
| | Sewer Operations | Nonmajor Development Services | Total Enterprise Funds | |
| Liabilities | | | | |
| Current liabilities (payable from current assets) | | | | |
| Accounts payable | \$ 119,379 | \$ 69,285 | \$ 188,664 | \$ 574,777 |
| Accrued liabilities | 113,272 | 61,182 | 174,454 | 17,415 |
| Contracts payable | 135,575 | 69,429 | 205,004 | 11,250 |
| Contract retentions payable | 5,726 | - | 5,726 | - |
| Refundable deposits | - | 75,500 | 75,500 | - |
| Unearned revenues | 162,771 | - | 162,771 | 40,208 |
| Due to other governments | 1,015,907 | 49,997 | 1,065,904 | 105,390 |
| Interest payable | 702,315 | - | 702,315 | - |
| Current maturities of long-term liabilities | 5,673,687 | 152,005 | 5,825,692 | 2,134,006 |
| Total current liabilities | 7,928,632 | 477,398 | 8,406,030 | 2,883,046 |
| Long-term liabilities | | | | |
| Refundable deposits (net of current portion) | - | 70,000 | 70,000 | - |
| Compensated absences (net of current portion) | 584,497 | 273,080 | 857,577 | 124,358 |
| Net OPEB obligation | 82,745 | 60,750 | 143,495 | 34,515 |
| Net pension obligation | 4,358,574 | 1,485,091 | 5,843,665 | 878,527 |
| Sick leave conversion payable (net of current portion) | 188,519 | 23,511 | 212,030 | 26,950 |
| Claims liabilities (net of current portion) | - | - | - | 6,190,050 |
| General obligation bonds and note (net of current portion) | 48,892,400 | - | 48,892,400 | - |
| Total long-term liabilities | 54,106,735 | 1,912,432 | 56,019,167 | 7,254,400 |
| Total liabilities | 62,035,367 | 2,389,830 | 64,425,197 | 10,137,446 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows related pensions | 697,802 | 215,626 | 913,428 | 141,350 |
| Total Liabilities and Deferred Inflows of Resources | 62,733,169 | 2,605,456 | 65,338,625 | 10,278,796 |
| Net Position | | | | |
| Net investment in capital assets | 133,052,926 | - | 133,052,926 | 8,603,695 |
| Claims | - | - | - | 191,478 |
| Unrestricted | 61,541,872 | 1,799,459 | 63,341,331 | (1,367,306) |
| Total Net Position | \$ 194,594,798 | \$ 1,799,459 | 196,394,257 | \$ 7,427,867 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | (2,116,585) | |
| Net Position of Business-Type Activities | | | \$ 194,277,672 | |

City of Sparks, Nevada
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---|-------------------------------------|------------------------------|--|
| | Sewer Operations | Nonmajor Development Services | Total Enterprise Funds | |
| Operating Revenues | | | | |
| Licenses and permits | \$ 204,102 | \$ 2,134,773 | \$ 2,338,875 | \$ - |
| Charges for services | 22,654,361 | 2,018,346 | 24,672,707 | 15,343,482 |
| Miscellaneous | 158,261 | - | 158,261 | 137,235 |
| Total operating revenues | <u>23,016,724</u> | <u>4,153,119</u> | <u>27,169,843</u> | <u>15,480,717</u> |
| Operating Expenses | | | | |
| Salaries and wages | 2,718,138 | 1,354,056 | 4,072,194 | 565,784 |
| Employee benefits | 1,418,539 | 503,796 | 1,922,335 | 296,841 |
| Services and supplies | 10,246,203 | 999,018 | 11,245,221 | 14,422,352 |
| Depreciation | 6,257,066 | - | 6,257,066 | 1,038,434 |
| Net loss from Truckee Meadows Water Reclamation Facility | <u>1,904,529</u> | <u>-</u> | <u>1,904,529</u> | <u>-</u> |
| Total operating expenses | <u>22,544,475</u> | <u>2,856,870</u> | <u>25,401,345</u> | <u>16,323,411</u> |
| Operating Income (Loss) | <u>472,249</u> | <u>1,296,249</u> | <u>1,768,498</u> | <u>(842,694)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | 440,778 | 52,896 | 493,674 | 136,481 |
| Interest expense | (1,117,724) | - | (1,117,724) | (1,139) |
| Miscellaneous | (2,965) | 143 | (2,822) | - |
| Gain (loss) on disposition of assets | (29,301) | - | (29,301) | 34,617 |
| Bond issuance costs | <u>(238,687)</u> | <u>-</u> | <u>(238,687)</u> | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>(947,899)</u> | <u>53,039</u> | <u>(894,860)</u> | <u>169,959</u> |
| Income (Loss) Before Capital Contributions and transfers | <u>(475,650)</u> | <u>1,349,288</u> | <u>873,638</u> | <u>(672,735)</u> |
| Capital Contributions | | | | |
| Grants | - | - | - | 260,000 |
| Sewer connection fees | 4,441,545 | - | 4,441,545 | - |
| Sewer lines and storm drains | <u>2,049,205</u> | <u>-</u> | <u>2,049,205</u> | <u>-</u> |
| Total capital contributions | <u>6,490,750</u> | <u>-</u> | <u>6,490,750</u> | <u>260,000</u> |
| Transfers | | | | |
| Transfers in | 112,484 | - | 112,484 | 1,063,006 |
| Transfers out | <u>(37,414)</u> | <u>(128,117)</u> | <u>(165,531)</u> | <u>(334,871)</u> |
| Total transfers | <u>75,070</u> | <u>(128,117)</u> | <u>(53,047)</u> | <u>728,135</u> |
| Change in Net Position | <u>6,090,170</u> | <u>1,221,171</u> | <u>7,311,341</u> | <u>315,400</u> |
| Net Position, Beginning of Year | 186,698,556 | 578,288 | | 7,970,278 |
| Prior period adjustment | <u>1,806,072</u> | <u>-</u> | | <u>(857,811)</u> |
| Net Assets, Beginning of Year, as Restated | <u>188,504,628</u> | <u>578,288</u> | | <u>7,112,467</u> |
| Net Position, End of Year | <u>\$ 194,594,798</u> | <u>\$ 1,799,459</u> | | <u>\$ 7,427,867</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | <u>23,939</u> | |
| Change in net position of business-type activities | | | <u>\$ 7,335,280</u> | |

City of Sparks, Nevada
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---|-------------------------------------|------------------------------|--|
| | Sewer Operations | Nonmajor Development Services | Total Enterprise Funds | |
| Operating Activities | | | | |
| Cash received from customers and users | \$ 23,292,669 | \$ 4,206,500 | \$ 27,499,169 | \$ 2,736,705 |
| Cash received from interfund services provided | - | - | - | 12,695,112 |
| Cash received from reimbursements of insurance claims | - | - | - | 40,414 |
| Cash paid to employees | (4,298,053) | (1,755,173) | (6,053,226) | (831,029) |
| Cash paid to suppliers | (11,025,705) | (907,939) | (11,933,644) | (14,107,495) |
| Cash paid to Truckee Meadows Water Reclamation Facility | (6,206,595) | - | (6,206,595) | - |
| Miscellaneous cash receipts (expenses) | (2,965) | 143 | (2,822) | - |
| Net Cash from (used for) Operating Activities | 1,759,351 | 1,543,531 | 3,302,882 | 533,707 |
| Noncapital Financing Activities | | | | |
| Transfers in | 112,484 | - | 112,484 | 589,993 |
| Transfers out | (37,414) | (128,117) | (165,531) | (334,871) |
| Net Cash from (used for) Noncapital Financing Activities | 75,070 | (128,117) | (53,047) | 255,122 |
| Capital and Related Financing Activities | | | | |
| Bond and capital lease obligation principal payments | (4,222,875) | - | (4,222,875) | (171,670) |
| Bond and capital lease interest expense paid | (1,097,055) | - | (1,097,055) | (9,115) |
| Proceeds from sewer bonds and notes | 19,237,197 | - | 19,237,197 | - |
| Payment of bond issue costs | (238,687) | - | (238,687) | - |
| Proceeds from sale of capital assets | - | - | - | 58,140 |
| Acquisition of capital assets | (1,630,524) | - | (1,630,524) | (1,566,249) |
| Cash contributions - sewer connection fees | 4,441,545 | - | 4,441,545 | - |
| Net Cash used for Capital and Related Financing Activities | 16,489,601 | - | 16,489,601 | (1,688,894) |
| Investing Activities | | | | |
| Investment income (loss) | 440,778 | 52,896 | 493,674 | 136,481 |
| Principal received on notes receivable | 495,065 | - | 495,065 | - |
| Net Cash from Investing Activities | 935,843 | 52,896 | 988,739 | 136,481 |
| Net Change in Cash and Cash Equivalents | 19,259,865 | 1,468,310 | 20,728,175 | (763,584) |
| Cash and Cash Equivalents, Beginning of Year | 24,783,567 | 2,615,849 | 27,399,416 | 9,314,012 |
| Cash and Cash Equivalents, End of Year | \$ 44,043,432 | \$ 4,084,159 | \$ 48,127,591 | \$ 8,550,428 |

City of Sparks, Nevada
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2016

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|---|-------------------------------------|------------------------------|--|
| | Sewer Operations | Nonmajor Development Services | Total Enterprise Funds | |
| Reconciliation of operating income (loss) to net cash from (used for) operating activities: | | | | |
| Operating income (loss) | \$ 472,249 | \$ 1,296,249 | \$ 1,768,498 | \$ (842,694) |
| Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities: | | | | |
| Depreciation | 6,257,066 | - | 6,257,066 | 1,038,434 |
| Miscellaneous cash receipts | (2,965) | 143 | (2,822) | - |
| Pension expense | 528,944 | 180,844 | 709,788 | 112,527 |
| Pension contributions | (705,740) | (294,417) | (1,000,157) | (149,960) |
| Changes in | | | | |
| Accounts receivable | 43,093 | 4,381 | 47,474 | (17,561) |
| Prepays | 507 | - | 507 | - |
| Due from other governments | 225,255 | - | 225,255 | (72,672) |
| Inventory of supplies | - | - | - | 55,032 |
| Net OPEB asset | 497 | 510 | 1,007 | 64 |
| Investment in Truckee Meadows Water Reclamation Facility | (4,302,066) | - | (4,302,066) | - |
| Accounts payable | 38,783 | 18,366 | 57,149 | (31,771) |
| Accrued liabilities | 20,411 | 17,749 | 38,160 | (3,021) |
| Compensated absences | 31,814 | 169,707 | 201,521 | 58,646 |
| Contracts payable | - | 63,094 | 63,094 | 11,250 |
| Net OPEB obligation | 6,503 | 4,775 | 11,278 | 2,713 |
| Sick leave conversion payable | (43,804) | 23,511 | (20,293) | - |
| Unearned revenue | 7,596 | - | 7,596 | 9,947 |
| Refundable deposits | - | 49,000 | 49,000 | (9,946) |
| Due to other governments | (818,792) | 9,619 | (809,173) | 86,562 |
| Claims liabilities | - | - | - | 286,157 |
| Total adjustments | 1,287,102 | 247,282 | 1,534,384 | 1,376,401 |
| Net Cash from Operating Activities | \$ 1,759,351 | \$ 1,543,531 | \$ 3,302,882 | \$ 533,707 |
| Noncash investing and capital and related financing activities: | | | | |
| Contributions of capital assets from other funds | \$ - | \$ - | \$ - | \$ 473,013 |
| Contributions of capital assets from developers | \$ 2,049,205 | \$ - | \$ 2,049,205 | \$ - |
| Capital assets - federal grants and other | \$ - | \$ - | \$ - | \$ 260,000 |
| Book value of capital asset disposals | \$ 29,303 | \$ - | \$ 29,303 | \$ 23,523 |

City of Sparks, Nevada
Statement of Fiduciary Net Position
June 30, 2016

| | |
|--|------------------------|
| Assets | <u>Agency</u> |
| Cash and investments | <u>\$ 3,832,705</u> |
| Liabilities | |
| Accounts payable | \$ 159,496 |
| Group insurance premium payable | 485,060 |
| Due to special assessment bond holders | - |
| Due to other governments | <u>3,188,149</u> |
| Total liabilities | <u>\$ 3,832,705</u> |

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Sparks, Nevada was incorporated March 15, 1905. The City operates under a city council/manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and alleys, sanitation, recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Sparks, including the Redevelopment Agency Areas of the City of Sparks, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments.

The financial statements present the reporting entity, which consists of the City and its blended component units, entities for which the City is considered to be financially accountable. The blended component units are, in substance, part of the City's operations, even though they are legally separate entities. Thus, the following blended component units are appropriately presented as funds of the primary government.

Redevelopment Agency (Areas No. 1 and No. 2) of the City of Sparks

Although legally separate from the City, the Redevelopment Agency Areas are governed by a Board comprised of City Council Members and Mayor, the Areas are dependent upon the City's taxing authority, and the City has operational responsibility for the Areas. Separate financial statements for the Redevelopment Agency Areas are not available.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. *Direct expenses* are those that are specifically associated with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items properly not included among program revenues are reported instead as *general revenues*.

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary* and *fiduciary*—are presented, even though the latter is excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *measurable* when the amount of the transaction can be determined and *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When revenues are due, but will not be collected within this 60 day period, the receivable is recorded and an offsetting deferred inflow of resources account is established. Thus in subsequent periods, when both revenue recognition criteria are met, the deferred inflow of resources is removed and revenue is recognized. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, postemployment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, consolidated tax revenue (sales taxes, cigarette taxes, government services taxes, real property transfer taxes, liquor taxes), room taxes, gaming taxes, gasoline taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The fiduciary fund financial statements use the accrual method of accounting and are custodial in nature; therefore, no results of operations are presented and there is no measurement focus.

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

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

The City reports the following major governmental funds:

The *General Fund* is the City's general operating fund and is used to account for all financial resources except those required to be accounted for in other funds.

The *General Obligation Debt Service Fund* accumulates monies for the payment of the City's general obligation bonds and notes, revenue bonds and tax allocation bonds and notes, excluding those bonds and notes of the Redevelopment Agencies.

The City reports the following major enterprise fund:

The *Sewer Operations Fund* accounts for the City's sewer services to its residents and some residents of Washoe County.

Additionally, the City reports the following fund types:

Internal service funds account for motor vehicle maintenance, group insurance, workers' compensation insurance and municipal insurance services to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds account for cash, held by the City of Sparks for others in a custodial or agent capacity, prior to allocation to various special districts and other governmental agencies.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments, which is managed by the City Financial Services Director. Investments consist primarily of money market mutual funds, negotiable certificates of deposits, corporate notes and obligations of agencies of the United States. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurements and Application*.

Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Investment income earned is distributed to the appropriate funds based on each fund's equity in the investment. Pursuant to Section 1 of NRS 355 and NRS 355.170, the City of Sparks may only invest in the following types of securities:

- Certain "A" rated notes and bonds purchased by a registered broker-dealer that are issued by corporations organized and operating in the United States (U.S.) and that mature within five (5) years from the date of purchase; asset-backed securities and collateralized mortgage obligations rated "AAA" or higher by a nationally recognized rating service. These investments must not, in the aggregate, exceed 20 percent of the total portfolio at the time of purchase, nor include notes and bonds issued by any one corporation in excess of 25 percent of such investments.
- U.S. bonds and debentures maturing within ten (10) years from the date of purchase.
- Certain farm loan bonds.
- Bills and notes of the U.S. Treasury, maturing within ten (10) years from the date of purchase.
- Obligations of an agency of the U.S. or a corporation sponsored by the government, maturing within ten (10) years from the date of purchase.
- Obligations of state and local governments if, (1) the interest is exempt for federal income tax purposes, and (2) the obligation has been rated "A" or higher by a nationally recognized bond credit rating agency.
- Negotiable and nonnegotiable certificates of deposit from commercial banks and insured savings and loan associations.
- State of Nevada Local Government Pooled Investment Fund.
- Certain securities issued by local governments of the State of Nevada.
- Certain bankers' acceptances.

- Certain short-term paper issued by a corporation organized and operating in the U.S.
- Other securities expressly provided by other statutes, including repurchase agreements.
- Certain "AAA" rated mutual funds that invest in (1) securities issued by the Federal Government or agencies of the Federal Government, (2) Master, bank notes or other short-term commercial paper rated as "A-1" or "P-1" issued by a corporation or depository institution organized, licensed and operating in the United States and/or (3) Repurchase agreements that are fully collateralized by (1) and (2) above.

Cash Equivalents

Cash equivalents include short-term highly liquid investments (with maturities of 3 months or less when purchased) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk in changes of value. Based on the nature of the investment policies, all amounts are available on demand and are, therefore, classified as cash equivalents on the Statements of Cash Flows.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Real property taxes result in a lien on the property and attach on July 1 (the levy date) of the year for which the 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 Washoe County in which the City of Sparks 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 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. As such, real property taxes receivable reflect only those taxes receivable from the delinquent roll years, and current taxes collected within 60 days of year end and delinquent taxes from all roll years prior to 2014-15 have been written off. No provision for uncollectible accounts has been established, as management does not anticipate any material collection losses with respect to the remaining balances.

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

Receivables are shown net of an allowance for uncollectible accounts, if applicable.

Inventories and Prepaids

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds in the fund financial statements are considered consumable supplies and as such are recorded as expenditures at the time of purchase.

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

Restricted Assets

Bond covenants and other third party restrictions require a portion of the debt proceeds, as well as other resources, to be set aside for various purposes in the General Obligation Debt Service Fund, Redevelopment Agency Area No. 1 Tax Revenue Debt Service Fund, and Redevelopment Agency Area No. 2 Debt Service Fund. These amounts are reported as restricted assets.

Capital Assets

Capital assets, which include land, construction in progress, intangible assets, water rights, property, plant, equipment and infrastructure, are capitalized and reported in the applicable governmental activities and business-type activities columns of the government-wide financial statements. For governmental fund types, outlays for capital assets are expensed during the current period. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Capital assets are recorded at cost for purchased or constructed assets. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Donated capital assets are recorded at estimated fair value at the date of donation, with the exception of road infrastructure donations constructed by the Regional Transportation Commission which are recorded at year end as either construction in progress for uncompleted projects or in their respective categories for completed projects.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives:

| | |
|---|-------------|
| Buildings | 10-40 years |
| Improvements other than buildings | 5-50 years |
| Machinery and equipment | 3-20 years |
| Sewer lines | 10-50 years |
| Storm drains | 40-50 years |
| Infrastructure, including roads and streets | 15-40 years |
| Intangibles | 10 years |

Long-Term Liabilities

Government-wide and proprietary fund type fund financial statements:

Long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences is calculated under the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund statements.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized during the current period. For current and advance refundings resulting in a defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as either a deferred outflow or inflow of resources and amortized as a component of interest expense using the straight-line method.

Governmental fund type financial statements:

A liability for compensated absences is reported in the governmental funds, primarily the General Fund, only if they have matured, as a result of employee resignations, terminations and retirements. Bond premiums and discounts, as well as issuance costs, are recognized during the current period. The face amount of bonds is reported as other financing sources, as are bond premiums. Bond discounts are recorded as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position/fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reflects deferred outflow of resources in the Statement of Net Position for items related to pensions and the deferred amount on bond refundings. The City recognizes deferred outflows of resources related to pensions in the Statement of Net Position under the accrual basis of accounting.

In addition to liabilities, the Statement of Net Position/Governmental Funds Balance Sheet may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reflects deferred inflows of resources which are unavailable revenue reported in the governmental funds balance sheet for delinquent property and other taxes, grants, and special assessments that arise under the modified accrual basis of accounting, and items related to pensions. The City recognizes deferred inflows of resources related to pensions in the Statement of Net Position under the accrual basis of accounting.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. 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.

Equity Classifications

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

- Net Investment in Capital Assets— Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Consists of equity with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; (2) law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – All other equity that does not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, governmental fund equity is reported as fund balances and is classified into a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in fund financial statements are as follows:

- Nonspendable Fund Balance – Amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted Fund Balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed Fund Balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution, in which either are equally binding) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned Fund Balance – This classification includes amounts that are constrained by the City’s intent to be used for a specific purpose but are neither restricted nor committed. Amounts may be assigned by the City Council; or the City Council through resolution, has authorized the Financial Services Director to assign fund balance.
- Unassigned Fund Balance – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned amounts are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally, unassigned funds, as needed, but reserves the right to selectively spend unassigned balances first to defer the use of these other classified funds.

The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unrestricted fund balance (the sum of the committed, assigned, and unassigned fund balance categories) at fiscal year-end to be at least equal to 8.3 percent of total General Fund expenditures.

Comparative Data

Comparative data shown for the prior year has been extracted from the 2014-2015 financial statements and reclassified where necessary and practical to afford better comparability between the years. It has been provided to add comparability, but is not considered full disclosure of transactions for 2014-2015. Such information can only be obtained by referring to the audited financial statements for that year.

Implementation of GASB Statement No. 72

As of July 1, 2015 the City adopted GASB Statement No. 72, *Fair Value Measurements and Application*. The implementation of this standard requires governments to measure investments at fair value. The additional disclosures required by this standard are included in Note 3.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

The City of Sparks adheres to the Local Government Budget and Finance Act (Act) incorporated within the Statutes of the State of Nevada, in which annual budgets are legally adopted for all funds except Agency funds. The Act and City policy include the following procedures to establish the budgetary data, which is reflected in these financial statements:

- On or before April 15, the Financial Services Director submits to the City Council a tentative budget for the fiscal year commencing the following July 1.
- A public hearing on the tentative budget is held on the third Tuesday in May to obtain taxpayer comments. Beginning with the fiscal year 2017 budget, the Nevada Legislature changed this requirement so that the public hearing on the tentative budget may be held anytime between the third Tuesday in May and the end of May.
- Prior to June 1, 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 is then submitted to the Nevada Department of Taxation.
- All budget amounts presented in these financial statements and schedules reflect the budget as amended by legally authorized revisions during the year. Original budgets are provided for the General Fund in compliance with reporting requirements. The Financial Services Director may approve budget adjustments within a function. Budget adjustments between functions or funds may be approved by the Financial Services Director with City Council notification. Adjustments that increase the original budget and therefore affect fund balance, or affect the contingency account, require City Council approval.
- Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Appropriations lapse at year-end. Encumbered appropriations are re-appropriated in the ensuing year.
- In accordance with State statute, actual expenditures may not exceed budgeted appropriations of the various governmental functions (excluding the debt service function) of the General, Special Revenue, and Capital Projects Funds. Per NRS 354.626, expenditures over budgeted appropriations are allowed for bond repayments, medium term obligation repayments, and other long-term contracts expressly authorized by law. The sum of operating and non-operating expenses in Proprietary Funds also may not exceed total appropriations.

- Budgets are adopted for all governmental fund types and for all proprietary fund types. Additional control over spending activities of these funds is achieved through required approval of all purchases over \$50,000 by the City Council and certain expenditures are restricted by bond indenture provisions.

The budget reflected in the financial statements has been amended from the original budget amounts in accordance with State statute. Such amendments included augmentations for prior obligations, as well as supplemental appropriations needed for grants, contingencies, and other uses.

Excess of Expenditure over Appropriations

Actual expenditures exceeded those budgeted for the year in the community support function of the Tourism Improvement District 1 Special Revenue Fund by \$8,324.

Compliance with Nevada Revised Statutes and Administrative Code

The City conformed to all significant statutory constraints in its financial administration during the year.

Deficit Fund Equity

The Workers' Compensation Insurance Internal Service Fund and the Municipal Self-Insurance Internal Service Fund have deficit net positions of \$3,187,749 and \$28,491, respectively, at June 30, 2016.

Note 3 - Cash and Investments

Deposits

At June 30, 2016, the City's carrying amount of deposits was \$5,582,364 and the bank balance was \$5,874,410. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the banks' records. Bank balances were greater than the City's carrying amount by \$292,046.

Investments

At June 30, 2016, the City had the following investments and maturities:

| | Fair Value | Investment Maturities in Years | | |
|---------------------------------------|----------------------|--------------------------------|----------------------|---------------------|
| | | Less Than 1 | 1-5 | 6-10 |
| Investments | | | | |
| U.S. agencies | \$ 37,232,820 | \$ 3,701,341 | \$ 27,179,590 | \$ 6,351,889 |
| Corporate notes | 4,004,570 | 2,001,620 | 2,002,950 | - |
| Negotiable certificates of deposit | 6,529,878 | - | 6,030,454 | 499,424 |
| Money market mutual funds | 49,121,466 | 49,121,466 | - | - |
| | <u>\$ 96,888,734</u> | <u>\$ 54,824,427</u> | <u>\$ 35,212,994</u> | <u>\$ 6,851,313</u> |

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada governments (see Note 1). The City does not have a formal investment policy that would further limit its investment choices nor further limit its exposure to certain risks as set forth below.

Interest rate risk – Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be mitigated by diversification of durations of fixed rate investments held in the investment portfolio. State statute limits investment in bills and notes of the U.S. Treasury, along with obligations of an agency of the U.S. or a corporation sponsored by the U.S. government to those maturing within ten years from the date of purchase.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. The City follows State statute for reducing exposure to investment credit risk by investing in U.S. Treasury and U.S. Agency securities, AAA rated money market mutual funds that invest in securities issued by the U.S. Government, agencies of the U.S. Government or agencies of the U.S. Government, and corporate notes if they are A rated notes issued by corporations organized and operating in the United States that mature within five years and do not exceed 20 percent of the total portfolio or exceed any one corporation by 25 percent of such investments. The City's investments in U.S. Agency securities are rated no lower than A- by Standard and Poor's and A1 by Moody's Investor Services. The City's investments in corporate notes are rated no lower than A- by Standard and Poor's and A1 by Moody's Investor Services.

Custodial Credit Risk – Deposits – the risk that in the event of a bank failure, the City's deposits may not be returned. Some of the City's bank deposits are covered by FDIC insurance and collateralized by the Office of the State Treasurer/ Nevada Collateral Pool. As of June 30, 2016, the City reported \$480,319 of uncollateralized deposits.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Securities held by the City or by the City's custodians are diversified to eliminate risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. At June 30, 2016, the following investments in a single issuer exceeded 5% of the City's total investments:

| | |
|---|--------|
| U.S. Agency security – Federal National Mortgage Association | 9.57% |
| U.S. Agency security – Federal Home Loan Mortgage Corporation | 15.28% |
| U.S. Agency security – Federal Farm Credit Bank | 11.41% |

External Investment Pool – In addition to the cash and investments of the City of Sparks, the City administers the cash deposits and investments of the Redevelopment Agency Areas and the Truckee Meadows Water Reclamation Facility (TMWRF). The deposits and investments of these entities are pooled with those of the City. As the Redevelopment Agency Areas are blended component units, and the investment activity by the City on behalf of TMWRF is de minimus, the cash and investments pooled by the City for these agency areas do not constitute an external investment pool.

Fair Value Measurements – The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

As of June 30, 2016, the City had the following recurring fair value measurements:

| | June 30, 2016 | Fair Value Measurements Using | | |
|---|----------------------|---|---|-------------------------------------|
| | | Quoted Prices in Active Markets (Level 1) | Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Instruments by fair value level | | | | |
| U.S. agencies | \$ 37,232,820 | \$ - | \$ 37,232,820 | \$ - |
| Corporate notes | 4,004,570 | - | 4,004,570 | - |
| Negotiable certificates of deposit | 6,529,878 | - | 6,529,878 | - |
| Money market mutual funds | 49,121,466 | 49,121,466 | - | - |
| Total investments measured at fair value | <u>\$ 96,888,734</u> | <u>\$ 49,121,466</u> | <u>\$ 47,767,268</u> | <u>\$ -</u> |

The following is a description of the valuation methodologies used by the City for its Level 2 assets:

U.S. agencies – Valued using matrix pricing and market corroborated pricing models.

Corporate notes – Valued based on cash flow models that include interest rate yield curves.

Negotiable certificates of deposit – Valued using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions.

Summary of Deposit and Investment Balances

A reconciliation of the City's deposits and investment balances as of June 30, 2016 follows:

| | |
|-----------------------------------|------------------------------|
| Deposits | \$ 5,582,364 |
| Investments | <u>96,888,734</u> |
| | <u><u>\$ 102,471,098</u></u> |
| Governmental activities | |
| Cash and investments | \$ 36,598,148 |
| Cash and investments – restricted | 13,912,654 |
| Business-type activities | |
| Cash and investments | 48,127,591 |
| Fiduciary Funds | <u>3,832,705</u> |
| | <u><u>\$ 102,471,098</u></u> |

Note 4 - Accounts Receivable and Notes Receivable

| | General Fund | General Obligation Debt Service | Other Governmental Funds | Total Governmental Funds | Internal Service Funds | Total Governmental Activities |
|-----------------------------------|----------------------------|---------------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------------------|
| Accounts Receivable | | | | | | |
| Miscellaneous | \$ 1,087,743 | \$ - | \$ 902,520 | \$ 1,990,263 | \$ 56,000 | \$ 2,046,263 |
| Special Assessments | - | 14,294,813 | - | 14,294,813 | - | 14,294,813 |
| Housing | | | | | | |
| Rehabilitation loans | - | - | 1,313,977 | 1,313,977 | - | 1,313,977 |
| | <u>1,087,743</u> | <u>14,294,813</u> | <u>2,216,497</u> | <u>17,599,053</u> | <u>56,000</u> | <u>17,655,053</u> |
| Less allowance for uncollectibles | <u>-</u> | <u>-</u> | <u>86,510</u> | <u>86,510</u> | <u>-</u> | <u>86,510</u> |
| Accounts receivable, net | <u><u>\$ 1,087,743</u></u> | <u><u>\$ 14,294,813</u></u> | <u><u>\$ 2,129,987</u></u> | <u><u>\$ 17,512,543</u></u> | <u><u>\$ 56,000</u></u> | <u><u>\$ 17,568,543</u></u> |

Accounts receivable not expected to be collected within one year are \$13,431,449 of special assessments reported in the General Obligation Debt Service Fund and the housing rehabilitation loans of \$1,313,977 less the allowance of \$86,510 reported in the Community Development Block Grant Special Revenue Fund.

Notes receivable for governmental activities consists of \$1,300,000 in the Redevelopment Agency Area No. 2 Revolving Capital Projects Fund related to sale of land in the redevelopment agency area. The current portion of this note is \$300,000. Interest at 4% is payable monthly, with semi-annual principal payments of \$150,000 and any unpaid principal due December 17, 2017.

| | Sewer Operations Fund | Total Business-Type Activities |
|--------------------------|-----------------------------|--------------------------------------|
| Accounts Receivable | | |
| Effluent charges | \$ 2,216,674 | \$ 2,216,674 |
| Notes Receivable | | |
| Effluent connection fees | \$ 1,111,172 | \$ 1,111,172 |
| Sun Valley GID | 4,889,719 | 4,889,719 |
| Notes Receivable | \$ 6,000,891 | \$ 6,000,891 |

The current portion of notes receivable was \$510,275 as of June 30, 2016. These notes receivable include Sun Valley GID notes with interest rates ranging from 2.66% to 2.78%, principal and interest payable semi-annually through January 2024 and January 2027. Also included are effluent connection fees, which generally include a 4% interest rate and various maturity dates depending on the customer.

Note 5 - Interfund Balances and Activity

Due To/From Other Funds

The composition of amounts due to/from other funds reported on the fund financial statements at June 30, 2016 is as follows:

| Due From | Due To General Fund |
|-----------------------|---------------------------|
| Nonmajor Governmental | \$ 64,284 |

Balance results from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers

Transfers reported on the fund financial statements at June 30, 2016 are as follows:

| Transfers Out | Transfers In | | | | | |
|-----------------------|---------------------------------------|--------------------------|-----------------------|------------|---------------------|--------------|
| | General Obligation Debt Service | Nonmajor Governmental | Total Governmental | Sewer | Internal Service | Total |
| General | \$ 489,832 | \$ 2,706,589 | \$ 3,196,421 | \$ - | \$ 589,993 | \$ 3,786,414 |
| Nonmajor Governmental | 1,571,477 | 1,747,200 | 3,318,677 | 112,484 | - | 3,431,161 |
| Total governmental | 2,061,309 | 4,453,789 | 6,515,098 | 112,484 | 589,993 | 7,217,575 |
| Sewer | 3,913 | - | 3,913 | - | 33,501 | 37,414 |
| Nonmajor Enterprise | 23,476 | - | 23,476 | - | 104,641 | 128,117 |
| Total business-type | 27,389 | - | 27,389 | - | 138,142 | 165,531 |
| Internal Service | - | - | - | - | 334,871 | 334,871 |
| Total | \$ 2,088,698 | \$ 4,453,789 | \$ 6,542,487 | \$ 112,484 | \$ 1,063,006 | \$ 7,717,977 |

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

Note 6 - Joint Ventures

Truckee Meadows Water Reclamation Facility

Pursuant to an agreement dated March 24, 1980, the cities of Reno and Sparks jointly own and operate the wastewater treatment facility commonly known as the Truckee Meadows Water Reclamation Facility (TMWRF). The approximate ownership percentages of the cities of Reno and Sparks are 71% and 29%, respectively.

The City of Sparks is responsible for administration and daily operation of TMWRF, and TMWRF's budget is included in the City of Sparks budget document. The costs of operating and maintaining TMWRF are divided in proportion to the volume of sewage entering TMWRF from each city. During the year ended June 30, 2016, the City of Sparks' share of TMWRF's net loss, recorded in the Sewer Operations Enterprise Fund, was \$1,904,529.

The City of Sparks uses the equity method to account for its investment in TMWRF in the Sewer Operations Enterprise Fund, which, as of June 30, 2016, is \$41,572,390.

Summary June 30, 2016 financial information for TMWRF is as follows:

| | |
|---|-----------------------|
| Assets | |
| Current assets | \$ 5,305,923 |
| Capital assets, net of accumulated depreciation | 139,600,226 |
| Other noncurrent assets | <u>29,358</u> |
| Total assets | <u>144,935,507</u> |
| Deferred outflows related to pensions | <u>1,118,705</u> |
| Total assets and deferred outflows of resources | <u>146,054,212</u> |
| Liabilities | |
| Current liabilities | 1,838,308 |
| Noncurrent liabilities | <u>6,616,229</u> |
| Total liabilities | <u>8,454,537</u> |
| Deferred inflows related to pensions | <u>864,698</u> |
| Total liabilities and deferred inflows of resources | <u>9,319,235</u> |
| Net Position | |
| Net investment in capital assets | 139,600,226 |
| Unrestricted | <u>(2,865,249)</u> |
| Total net position | <u>\$ 136,734,977</u> |
| Operating revenues | \$ 20,568,872 |
| Operating expenses before depreciation | (20,304,811) |
| Depreciation | (6,683,654) |
| Nonoperating revenues (expenses) | 5,925 |
| Capital contributions | <u>19,785,132</u> |
| Change in net position | <u>\$ 13,371,464</u> |

Commitments outstanding for construction projects at TMWRF at June 30, 2016 totaled approximately \$3.27 million. These commitments will be shared by the City of Reno and the City of Sparks at approximately 69% and 31%, respectively.

The City of Reno obtained a loan from the State of Nevada Revolving Loan Fund to finance an expansion project at TMWRF. At June 30, 2016, the City of Sparks has recorded \$6,356,605 as a long-term liability to the City of Reno (see Note 9) for the City of Sparks' share of the amount drawn on the loan. The City of Sparks' payments on the liability to the City of Reno, including interest coincide with the City of Reno's payment to the State of Nevada on the loan.

Separate financial statements and information for TMWRF are available by contacting TMWRF or the Financial Services Director of the City of Sparks at 431 Prater Way, P.O. Box 857, Sparks, NV 89432-0857.

Local Government Oversight Committee Joint Venture (Truckee River Water Quality Settlement Agreement)

On October 10, 1996, the City of Sparks entered into a joint venture with Washoe County and the City of Reno to purchase water rights pursuant to the Truckee River Water Quality Settlement Agreement. The entities have agreed to expend \$12 million to purchase Truckee River water rights, with each entity owning an undivided and equal interest in water rights. The purchase of the water rights will be financed under the State of Nevada Water Pollution Control Revolving Fund and Washoe County will finance the purchase on behalf of all the entities. As of June 30, 2016, all amounts owed by the City of Sparks have been contributed and the cumulative amount of water rights purchased and attributable to the City of Sparks of \$3,951,604 is recorded in the Sewer Operations Enterprise Fund. Separate financial statements and information for this joint venture are available by contacting the Washoe County Department of Water Resources, 4930 Energy Way, Reno, NV 89502.

Truckee Meadows Water Authority

In November 2000, the City of Sparks, in a joint venture with the City of Reno and Washoe County, formed the Truckee Meadows Water Authority (Authority). The Authority was formed to purchase the water assets, to undertake the water utility operations of NV Energy, Inc. (formerly Sierra Pacific Power Company), a Nevada corporation, and to develop, manage and maintain supplies of water for the benefit of the Truckee Meadows community. The Authority has issued bonds that do not constitute an obligation of the Cities of Sparks, Reno or Washoe County. There is no equity interest recorded on the City of Sparks' balance sheet as of June 30, 2016, because no explicit and measurable equity interest is deemed to exist. Separate financial statements and information for this joint venture are available by contacting the Authority at P.O. Box 30013, Reno, NV 89520-3013.

Truckee River Flood Management Authority

The Truckee River Flood Management Authority (TRFMA) is a joint powers authority formed in March 2011, pursuant to a Cooperative Agreement among the Cities of Reno and Sparks and Washoe County (members). The governing body of each Member appoints two directors who must be elected officials of the Member's governing body. The TRFMA was formed in order to regulate and control waters of the Truckee River that flow through their territories to reduce or mitigate flooding for the ongoing benefit of the Truckee Meadows community and is authorized to issue bonds that do not constitute an obligation of the City of Reno, City of Sparks, Washoe County, or State of Nevada.

Under the terms of the Cooperative Agreement, the TRFMA Board of Directors has the power to periodically impose, assess, levy, collect, and enforce fees, rates, and charges in an amount sufficient for services or facilities, or both services or facilities and also to discharge any debt instruments or financial agreements. No such assessments have been made since the TRFMA's formation. The arrangement is considered a joint venture with no equity interest recorded on the City of Sparks' balance sheet as of June 30, 2016, because no explicit and measurable equity interest is deemed to exist. Separate financial statements and information for this joint venture are available by contacting the Truckee River Flood Management Authority's Finance Department at 9390 Gateway Drive, Suite 230, Reno, NV 89521.

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities

| | Balance July 1, 2015 | Additions or Transfers In | Deletions or Transfers Out | Completed Construction | Balance June 30, 2016 |
|--|-------------------------|------------------------------|-------------------------------|---------------------------|--------------------------|
| Capital assets, not being depreciated | | | | | |
| Land | \$ 36,325,278 | \$ 891,749 | \$ (6,209,199) | \$ - | \$ 31,007,828 |
| Construction in progress | 108,298,461 | 14,356,996 | - | (2,257,363) | 120,398,094 |
| Intangible assets | 3,229,365 | - | - | - | 3,229,365 |
| Water rights | 64,965 | 23,916 | - | - | 88,881 |
| Total capital assets, not being depreciated | 147,918,069 | 15,272,661 | (6,209,199) | (2,257,363) | 154,724,168 |
| Capital assets, being depreciated | | | | | |
| Intangible assets | 688,529 | 3,528 | - | - | 692,057 |
| Buildings | 38,459,459 | 2,030,669 | (579,056) | 151,934 | 40,063,006 |
| Improvements other than buildings | 94,163,845 | 260,084 | (249,635) | 6,420 | 94,180,714 |
| Machinery and equipment | 28,386,167 | 1,470,809 | (1,085,589) | 1,403,407 | 30,174,794 |
| Infrastructure | 273,392,457 | 3,835,333 | (775,816) | 695,602 | 277,147,576 |
| Total capital assets, being depreciated | 435,090,457 | 7,600,423 | (2,690,096) | 2,257,363 | 442,258,147 |
| Less accumulated depreciation for | | | | | |
| Intangible assets | (198,561) | (68,482) | - | - | (267,043) |
| Buildings | (20,986,613) | (1,010,504) | 392,915 | - | (21,604,202) |
| Improvements other than buildings | (51,343,788) | (4,023,381) | 168,268 | - | (55,198,901) |
| Machinery and equipment | (20,129,395) | (1,688,574) | 1,043,624 | - | (20,774,345) |
| Infrastructure | (71,158,215) | (2,959,238) | 694,070 | - | (73,423,383) |
| Total accumulated depreciation | (163,816,572) | (9,750,179) | 2,298,877 | - | (171,267,874) |
| Total capital assets, being depreciated, net | 271,273,885 | (2,149,756) | (391,219) | 2,257,363 | 270,990,273 |
| Governmental activities capital assets, net | \$ 419,191,954 | \$ 13,122,905 | \$ (6,600,418) | \$ - | \$ 425,714,441 |

City of Sparks, Nevada
Notes to Financial Statements
June 30, 2016

Business-type Activities

| | Balance July 1, 2015 | Additions or Transfers In | Deletions or Transfers Out | Completed Construction | Balance June 30, 2016 |
|--|-------------------------|------------------------------|-------------------------------|---------------------------|--------------------------|
| Capital assets, not being depreciated | | | | | |
| Construction in progress | \$ 392,445 | \$ 364,584 | \$ - | \$ (126,214) | \$ 630,815 |
| Water rights | 7,026,502 | - | - | - | 7,026,502 |
| Intangible assets | 2,648 | - | - | - | 2,648 |
| Total capital assets, not being depreciated | 7,421,595 | 364,584 | - | (126,214) | 7,659,965 |
| Capital assets, being depreciated | | | | | |
| Buildings | 1,075,383 | - | (92,959) | - | 982,424 |
| Improvements other than buildings | 3,789,983 | - | (132,600) | - | 3,657,383 |
| Machinery and equipment | 537,950 | 15,630 | (87,528) | - | 466,052 |
| Roads and streets | 3,524,921 | 751,339 | - | 24,750 | 4,301,010 |
| Storm drains | 102,515,970 | 1,368,758 | (12,534) | 101,464 | 103,973,658 |
| Sewer lines | 140,984,321 | 772,120 | (82,894) | - | 141,673,547 |
| Total capital assets, being depreciated | 252,428,528 | 2,907,847 | (408,515) | 126,214 | 255,054,074 |
| Less accumulated depreciation for | | | | | |
| Buildings | (364,200) | (31,689) | 64,249 | - | (331,640) |
| Improvements other than buildings | (2,825,367) | (76,084) | 132,600 | - | (2,768,851) |
| Machinery and equipment | (491,992) | (22,889) | 87,528 | - | (427,353) |
| Roads and streets | (415,857) | (220,798) | - | - | (636,655) |
| Storm drains | (32,982,658) | (2,534,719) | - | - | (35,517,377) |
| Sewer lines | (57,500,315) | (3,370,887) | 82,301 | - | (60,788,901) |
| Total accumulated depreciation | (94,580,389) | (6,257,066) | 366,678 | - | (100,470,777) |
| Total capital assets, being depreciated, net | 157,848,139 | (3,349,219) | (41,837) | 126,214 | 154,583,297 |
| Business-type activities capital assets, net | <u>\$ 165,269,734</u> | <u>\$ (2,984,635)</u> | <u>\$ (41,837)</u> | <u>\$ -</u> | <u>\$ 162,243,262</u> |

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

| | |
|--|----------------------------|
| Governmental Activities | |
| General government | \$ 315,107 |
| Judicial | 57,711 |
| Public safety | 894,153 |
| Public works | 3,840,730 |
| Culture and recreation | 2,830,318 |
| Community support | 773,726 |
| Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets | <u>1,038,434</u> |
| Total depreciation expenses - governmental activities | <u><u>\$ 9,750,179</u></u> |
| Business-type Activities | |
| Sewer | <u>\$ 6,257,066</u> |
| Total depreciation expenses - business-type activities | <u><u>\$ 6,257,066</u></u> |

Note 8 - Leases

Operating Lease

The City has a non-cancelable operating lease for an office building with total costs for this lease of \$43,766 for the year ended June 30, 2016. The future minimum lease payments for the operating lease expiring June 30, 2018 are as follows based upon the amended lease agreement:

| <u>Fiscal Year Ending June 30,</u> | |
|------------------------------------|-------------------------|
| 2017 | \$ 45,068 |
| 2018 | <u>38,490</u> |
| | <u><u>\$ 83,558</u></u> |

Capital Leases

The City had several capital leases for fire trucks and related equipment. The assets acquired through capital leases were as follows:

| | |
|-------------------------------|-------------------------|
| Machinery and equipment | \$ 1,238,634 |
| Less accumulated depreciation | <u>(1,176,703)</u> |
| | <u><u>\$ 61,931</u></u> |

Note 9 - Long-Term Liabilities

Changes to Long-Term Liabilities

The following schedule summarizes the changes in the City's long-term liabilities:

| | Issue Date | Interest Rate | Final Maturity Date |
|--|------------|---------------|---------------------|
| Governmental Activities | | | |
| General Obligation Bonds and Notes Payable | | | |
| Supported by ad valorem taxes | | | |
| 2007 Various Purpose Refunding Bonds Series A | 3/29/2007 | 3.78% | 3/1/2017 |
| 2007 Various Purpose Refunding Bonds Series B | 3/29/2007 | 5.65% | 3/1/2017 |
| Revenue Bonds Payable | | | |
| Supported by Tourism Improvement District 1 sales tax revenue | | | |
| Senior Sales Tax Anticipation Revenue Bonds, Series A | 6/19/2008 | 6.95-7.20% | 6/15/2028 |
| Supported by Tourism Improvement District 1 sales tax revenue | | | |
| Subordinate Sales Tax Anticipation Revenue Bonds, Series A | 5/1/2008 | 5.75% | 6/15/2028 |
| Supported by consolidated tax revenues | | | |
| Consolidated Tax Refunding Revenue Bonds, Series 2011 | 5/12/2011 | 3.05% | 5/1/2018 |
| Consolidated Tax Refunding Revenue Bonds, Series 2014 | 5/29/2014 | 3.09% | 5/1/2026 |
| Less deferred amounts for issuance discounts | | | |
| Tax Allocation Bonds and Notes Payable | | | |
| Supported by Special Assessments within the LID 3 | | | |
| 2008 Limited Obligation Improvement Bonds | 7/2/2008 | 6.5-6.75% | 9/1/2027 |
| Supported by incremental property tax revenues | | | |
| 2008 Tax Increment Obligation Bonds (Redevelopment Agency) | 7/21/2008 | 6.4-6.7% | 6/1/2028 |
| Supported by incremental property tax revenues within R/A1: | | | |
| 2010 Tax Increment Refunding Revenue Bonds | | | |
| (Redevelopment Agency) | 5/11/2010 | 4.0-5.13% | 1/15/2023 |
| Supported by incremental property tax revenues within R/A2: | | | |
| 2014 Subordinate Lien Tax Increment Revenue Refunding Bonds | 8/14/2014 | 3.25% | 6/1/2029 |
| Less deferred amounts for issuance discounts | | | |
| Capital Lease Obligations | | | |
| DaimlerChrysler Services North America, LLC - Fire Equipment III | 7/28/2006 | 5.31% | 8/18/2015 |
| Developer Credits Payable | | | |
| Compensated Absences Payable | | | |
| Sick Leave Conversion Payable | | | |
| Claims Liabilities | | | |

Total governmental activities

For governmental activities, compensated absences and sick leave conversion payables are liquidated by those funds with salaries and related benefits; resulting in the majority of these obligations being liquidated by the General Fund. Claims liabilities are liquidated by the respective Internal Service Fund to which the claim relates (see Note 14).

The balances as of July 1, 2015 for the City's governmental activities and total long-term liabilities have been restated for a correction of an error in claims liabilities of \$857,811 (See Note 17).

City of Sparks, Nevada
Notes to Financial Statements
June 30, 2016

| Authorized | Balance July 1, 2015 (as restated) | Additions | Deletions | Balance June 30, 2016 | Due in 2016-2017 |
|--------------------|--|-------------------|-------------------|--------------------------|---------------------|
| \$ 7,090,000 | \$ 1,640,000 | \$ - | \$ 805,000 | \$ 835,000 | \$ 835,000 |
| 1,315,000 | 385,000 | - | 185,000 | 200,000 | 200,000 |
| <u>8,405,000</u> | <u>2,025,000</u> | <u>-</u> | <u>990,000</u> | <u>1,035,000</u> | <u>1,035,000</u> |
| 83,290,000 | 75,235,000 | - | 2,420,000 | 72,815,000 | 2,755,000 |
| 36,600,000 | 32,716,045 | - | - | 32,716,045 | 11,642,389 |
| 4,180,000 | 2,175,000 | - | 705,000 | 1,470,000 | 725,000 |
| 7,330,000 | 7,313,000 | - | 23,000 | 7,290,000 | 23,000 |
| <u>131,400,000</u> | <u>117,439,045</u> | <u>-</u> | <u>3,148,000</u> | <u>114,291,045</u> | <u>15,145,389</u> |
| - | 2,321,931 | - | 193,494 | 2,128,437 | - |
| <u>131,400,000</u> | <u>115,117,114</u> | <u>-</u> | <u>2,954,506</u> | <u>112,162,608</u> | <u>15,145,389</u> |
| 26,120,000 | 15,020,000 | - | 765,000 | 14,255,000 | 815,000 |
| 12,700,000 | 10,460,000 | - | 535,000 | 9,925,000 | 570,000 |
| 22,165,000 | 14,825,000 | - | 1,580,000 | 13,245,000 | 1,640,000 |
| 7,285,000 | 6,835,000 | - | 380,000 | 6,455,000 | 380,000 |
| <u>68,270,000</u> | <u>47,140,000</u> | <u>-</u> | <u>3,260,000</u> | <u>43,880,000</u> | <u>3,405,000</u> |
| - | 417,601 | - | 35,457 | 382,144 | - |
| <u>68,270,000</u> | <u>46,722,399</u> | <u>-</u> | <u>3,224,543</u> | <u>43,497,856</u> | <u>3,405,000</u> |
| 1,263,900 | 171,670 | - | 171,670 | - | - |
| - | 147,001 | - | 134,510 | 12,491 | 12,491 |
| - | 11,028,219 | 3,952,658 | 2,999,875 | 11,981,002 | 3,758,993 |
| - | 5,191,857 | 632,697 | 810,613 | 5,013,941 | 760,813 |
| <u>-</u> | <u>7,974,016</u> | <u>11,216,633</u> | <u>10,930,476</u> | <u>8,260,173</u> | <u>2,070,123</u> |
| <u>209,338,900</u> | <u>188,377,276</u> | <u>15,801,988</u> | <u>22,216,193</u> | <u>181,963,071</u> | <u>26,187,809</u> |

City of Sparks, Nevada
Notes to Financial Statements
June 30, 2016

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Final Maturity Date</u> |
|---|-------------------|----------------------|--------------------------------|
| Business-Type Activities | | | |
| Sewer Utility General Obligation Bonds and Note Payable | | | |
| Supported by Sewer Fund revenues | | | |
| 1995A Sewer Bonds | 9/1/1995 | 3.83% | 7/1/2015 |
| 1996 Sewer Bonds | 5/15/1996 | 3.66% | 7/1/2016 |
| 2000 Sewer Bonds | 10/11/1999 | 3.71% | 1/1/2020 |
| 2001 Sewer Bonds | 9/10/2001 | 3.14% | 7/1/2021 |
| 2002 Sewer Bonds | 6/27/2002 | 3.21% | 1/1/2022 |
| 2003 Sewer Bonds | 11/14/2003 | 3.05% | 1/1/2024 |
| 2005 Sewer Bonds | 4/1/2005 | 2.88% | 1/1/2025 |
| 2005B Sewer Bonds | 9/28/2005 | 2.66% | 7/1/2025 |
| 2006 Sewer Bonds | 9/9/2006 | 2.69% | 1/1/2026 |
| 2009 Sewer Bonds | 8/27/2009 | 2.78% | 7/1/2029 |
| 2009A Sewer Bonds | 8/27/2009 | 2.78% | 7/1/2029 |
| 2016 Riverflood Bonds | 2/18/2016 | 2.0-5.0% | 3/1/2026 |
| Plus deferred amounts for issuance premiums | | | |
| Note Payable to City of Reno - TMWRF Expansion | 4/9/2004 | 2.76% | 1/1/2024 |
| Compensated Absences Payable | | | |
| Sick Leave Conversion Payable | | | |
| Total business-type activities | | | |
| Total long-term liabilities | | | |

City of Sparks, Nevada
Notes to Financial Statements
June 30, 2016

| Authorized | Balance July 1, 2015 (as restated) | Additions | Deletions | Balance June 30, 2016 | Due in 2016-2017 |
|-----------------------|--|----------------------|----------------------|--------------------------|----------------------|
| \$ 4,700,000 | \$ 181,831 | \$ - | \$ 181,831 | - | \$ - |
| 6,814,488 | 752,772 | - | 497,280 | 255,492 | 255,492 |
| 3,070,670 | 1,086,658 | - | 201,654 | 885,004 | 209,205 |
| 7,038,807 | 3,137,823 | - | 442,396 | 2,695,427 | 456,385 |
| 3,082,361 | 1,254,965 | - | 162,603 | 1,092,362 | 167,869 |
| 8,243,494 | 4,649,089 | - | 486,935 | 4,162,154 | 501,900 |
| 4,091,227 | 2,476,890 | - | 217,037 | 2,259,853 | 223,336 |
| 5,160,261 | 3,303,161 | - | 276,598 | 3,026,563 | 284,005 |
| 13,385,605 | 9,480,724 | - | 713,813 | 8,766,911 | 733,125 |
| 4,772,645 | 3,936,273 | - | 223,901 | 3,712,372 | 230,157 |
| 2,509,299 | 2,069,562 | - | 117,722 | 1,951,840 | 121,005 |
| 18,010,000 | - | 18,010,000 | - | 18,010,000 | 1,490,000 |
| 80,878,857 | 32,329,748 | 18,010,000 | 3,521,770 | 46,817,978 | 4,672,479 |
| - | - | 1,227,197 | 116,339 | 1,110,858 | - |
| 80,878,857 | 32,329,748 | 19,237,197 | 3,638,109 | 47,928,836 | 4,672,479 |
| 12,027,038 | 7,057,710 | - | 701,105 | 6,356,605 | 720,562 |
| - | 987,020 | 859,349 | 626,526 | 1,219,843 | 362,266 |
| - | 334,007 | 19,941 | 71,533 | 282,415 | 70,385 |
| 92,905,895 | 40,708,485 | 20,116,487 | 5,037,273 | 55,787,699 | 5,825,692 |
| <u>\$ 302,244,795</u> | <u>\$ 229,085,761</u> | <u>\$ 35,918,475</u> | <u>\$ 27,253,466</u> | <u>\$ 237,750,770</u> | <u>\$ 32,013,501</u> |

Payment Requirements for Debt Service

The annual requirements to pay principal and interest on all bonds and notes outstanding at June 30, 2016 are as follows:

| Year Ending June 30 | Governmental Activities | | | | | |
|------------------------|--------------------------|------------------|-----------------------|----------------------|----------------------|----------------------|
| | General Obligation Bonds | | Revenue Bonds | | Tax Allocation Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | \$ 1,035,000 | \$ 42,853 | \$ 15,145,389 | \$ 8,502,115 | \$ 3,405,000 | \$ 2,438,002 |
| 2018 | - | - | 5,541,586 | 6,172,820 | 3,575,000 | 2,264,713 |
| 2019 | - | - | 6,025,758 | 5,855,855 | 3,760,000 | 2,078,197 |
| 2020 | - | - | 6,523,334 | 5,503,199 | 3,960,000 | 1,876,821 |
| 2021 | - | - | 7,056,355 | 5,119,488 | 4,180,000 | 1,652,742 |
| 2022-2026 | - | - | 44,845,686 | 18,380,494 | 17,490,000 | 4,805,200 |
| 2027-2030 | - | - | 29,152,937 | 3,188,587 | 7,510,000 | 596,633 |
| Total | <u>\$ 1,035,000</u> | <u>\$ 42,853</u> | <u>\$ 114,291,045</u> | <u>\$ 52,722,558</u> | <u>\$ 43,880,000</u> | <u>\$ 15,712,308</u> |

*Full accrual basis of accounting

| Business-Type Activities* | | | |
|---------------------------|---------------------|---------------------|-------------------|
| General Obligation Bonds | | Note Payable | |
| Principal | Interest | Principal | Interest |
| \$ 4,672,479 | \$ 1,337,484 | \$ 720,562 | \$ 160,343 |
| 4,578,849 | 1,179,930 | 740,560 | 140,070 |
| 4,728,310 | 1,020,321 | 761,112 | 119,234 |
| 4,905,453 | 844,141 | 782,235 | 97,820 |
| 4,843,015 | 667,630 | 803,944 | 75,812 |
| 20,937,911 | 1,499,168 | 2,548,192 | 89,195 |
| 2,151,961 | 71,063 | - | - |
| <u>\$ 46,817,978</u> | <u>\$ 6,619,737</u> | <u>\$ 6,356,605</u> | <u>\$ 682,474</u> |

Compliance

The City was, in accordance with Nevada Revised Statutes, within the legal debt limit at June 30, 2016. In addition, there are a number of limitations and restrictions contained in the various bond indentures, with which the City was in compliance at June 30, 2016.

Advance Refundings

In a prior year, the City defeased revenue bonds by placing proceeds of the new bonds in an irrevocable trust account to provide for all future debt payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2016, \$2,140,000 of the defeased bonds remain outstanding and the balance of the amounts held by the escrow agent that will be used to make future debt service payments is \$2,329,938.

New Debt

On February 18, 2016, the City of Sparks issued \$18,010,000 of General Obligation Medium Term Flood Control Bonds, to finance flood control and drainage projects. The City currently anticipates paying debt service on the bonds from the revenues of a flood control fee charged to customers in its Sewer Operations Enterprise Fund.

Pledged Revenues

The City has pledged specific revenues to repay bonds in governmental and business-type activities.

Governmental activities

The City has pledged up to 15% of the Consolidated Tax revenues for the repayment of the Consolidated Tax Revenue Refunding Bonds, Series 2011, issued during fiscal year ended June 30, 2011, and the Consolidated Tax Revenue Refunding Bonds, Series 2014, issued during fiscal year ended June 30, 2014. Proceeds from the Consolidated Tax Revenue Refunding Bonds, Series 2011 were used to reduce the principal owed on the Consolidated Tax Revenue Bonds, Series 2007 bonds. Proceeds from the Consolidated Tax Revenue Refunding Bonds, Series 2014 were used to extinguish the principal owed on the Consolidated Tax Revenue Bonds, Series 2007 bonds. The total principal and interest remaining to be paid on the bonds is \$10,308,741, payable through fiscal year 2026. For the current year, principal and interest paid for the two bonds totaled \$1,014,972 and pledged revenues totaled \$3,404,293.

The City has pledged 75% (less a State collection fee) of the State Sales Tax, Local School Support Tax, City/County Relief Tax, and Reciprocal Use Taxes that are collected in the Tourism Improvement District, for the repayment of the Senior Sales Tax Anticipation Revenue Bonds, Series A, and the Subordinate Sales Tax Anticipation Revenue Bonds, Series A, sold during fiscal year ended June 30, 2009. Proceeds from the bonds were used to acquire, improve, and equip certain real and personal property at the Legends at Sparks Marina. The total principal and interest remaining to be paid on the bonds is \$156,704,862 payable through fiscal year 2028. The bonds are secured and payable solely from the pledged revenues and the City has no obligation to pay the debt from any other source. For the current year, principal and interest due on the bonds totaled \$22,441,386, and pledged revenues totaled \$10,659,831 resulting in delinquent pledged revenues of \$11,781,555 at June 30, 2016.

The City has pledged revenues comprised of the incremental property tax revenues, governmental services tax revenues, and all income from the investment and reinvestment of any debt service and reserve accounts collected within the Redevelopment Area No. 1. The pledged property taxes are derived by applying applicable ad valorem tax rates to the portion of the assessed value of all taxable property that is in excess of a base value established in the year the area was created. These pledged revenues are for the repayment of the 2010 Tax Increment Refunding Revenue Bonds, issued during the fiscal year ended June 30, 2010. The bond is a limited obligation of the Redevelopment Agency and the Redevelopment Agency is not obligated to pay for them except from pledged revenues. Proceeds from the bonds were used to refund all of the Redevelopment Agency's Tax Allocation Refunding Revenue Bonds, Series 2000A. The total principal and interest remaining to be paid on the bond is \$16,025,124, payable through fiscal year 2023. For the current year, principal and interest paid for the bond totaled \$2,289,881 and pledged revenues totaled \$2,569,447.

The City has pledged revenues comprised of the incremental property tax revenues and all income from the investment and reinvestment of any debt service and reserve accounts collected within the Redevelopment Area No. 2. The pledged property taxes are derived by applying applicable ad valorem tax rates to the portion of the assessed value of all taxable property that is in excess of a base value established in the year the area was created. These pledged revenues are for the repayment of the 2008 Tax Increment Obligations Bonds, issued during the fiscal year ended June 30, 2009 (2008 Bonds), and the 2014 Tax Allocation Refunding Bonds, issued during fiscal year ended June 30, 2015 (2014 Bonds). The bonds are special, limited obligation of the Redevelopment Agency are payable solely from the pledged revenues described above. Proceeds from the bonds were used for certain redevelopment projects within the Marina District of Redevelopment Area No. 2. The total principal and interest remaining to be paid on the bonds is \$22,830,020, payable through fiscal year 2029. For the current year, principal and interest paid for the two bonds totaled \$1,828,769 and pledged revenues totaled \$2,665,920.

Business-type activities

The City has pledged future sewer utility customer revenues and connection fees, net of specified operating expenses, to repay sewer utility general obligation bonds issued between fiscal years 1996 and 2010. Proceeds from the bonds provided financing for expansion of, and improvements to, the utility system. The bonds are intended to be paid solely from utility customer net revenues and are payable through fiscal year 2030. The total principal and interest to be paid on the bonds is \$32,637,414. For the current year, principal and interest paid for the bonds totaled \$4,374,656. Net pledged revenues totaled \$12,917,128.

Special Assessment Debt

Special assessment bonds are issued to finance improvements that benefit taxpayers in the defined area. Bonds are repaid from assessments levied against these taxpayers, and are secured by their real property and are also secured by moneys and securities from time to time held in certain funds and accounts by the trustee. The bonds constitute limited obligations of the City, and the City will not be liable thereon except from the trust estate which includes (a) the proceeds of the special assessments, prepayments thereof, interest and penalties therefore, and proceeds of the sale of property sold, all monies, (b) all moneys held by the trustee for the bond reserves and assessments, and (c) any pledged real or personal property or security. In case of deficiencies, the City may use the reserve moneys held by the trustee (to the extent funds are available therein) to make payments.

The City has pledged future assessment revenues levied on the Local Improvement District No. 3 (Legends at Sparks Marina) to repay \$26,120,000 in limited obligation improvement bonds issued during fiscal year ended June 30, 2009. Proceeds from the bonds provided financing for acquisition, construction and improvements benefiting the Legends at Sparks Marina. The bonds are intended to be paid solely from assessment revenues and payable through fiscal year 2028. The total principal and interest remaining to be paid on the bonds is \$20,737,164. For the current year, principal and interest paid for the bond totaled \$1,740,488 and pledged revenues totaled \$1,998,081.

Note 10 - Stabilization Arrangements

The City Council adopted a Financial Stabilization Fund Policy, under which a portion of the revenue received from business licenses and/or interest income allocated to the fund is committed to be the primary sources of revenue for the Stabilization Special Revenue Fund. At June 30, 2016, the Stabilization Special Revenue Fund has a committed fund balance of \$235,291.

The Stabilization Special Revenue Fund balance may only be used if the following conditions exist:

- Expenditures incurred from a natural disaster upon formal declaration by the City Council; or
- If the total actual General Fund revenues decrease by 4 percent or more from the previous year.

Note 11 - Defined Benefit Pension Plan

Plan Description – The City contributes to the Public Employees’ Retirement System of the State of Nevada (PERS) for coverage of its employees. PERS administers a cost-sharing, multiple-employer, defined benefit public employees’ retirement system which includes both regular and police/fire members. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

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 PERS 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 as 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 PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS 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.

Vesting – Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 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 PERS on or after January 1, 2010, are eligible for retirement at 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 to eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits 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.

Contributions – The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. 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. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer. The City contributes under the employer-pay option.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2015, the statutory employer-pay contribution (EPC) rate was 25.75% for Regular and 40.50% for Police/Fire. For the fiscal year ended June 30, 2016 the statutory employer-pay contribution (EPC) rate was 28.00% for Regular members and 40.50% for Police/Fire.

The City's contributions were \$10,810,096 for the year ended June 30, 2016.

PERS Investment Policy – PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2015:

| Asset Class | Target Allocation | Long-Term Geometric Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Domestic Equity | 42% | 5.50% |
| International Equity | 18% | 5.75% |
| Domestic Fixed Income | 30% | 0.25% |
| Private Markets | 10% | 6.80% |

As of June 30, 2015, PERS' long-term inflation assumption was 3.5%.

Net Pension Liability – At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability of \$77,407,621. The net pension liability was measured as of June 30, 2015, 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 net pension liability was based on the City's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers. At June 30, 2015, the City's proportion was 0.66963 percent, which was a decrease of .01277 from its proportion measured as of June 30, 2014.

Pension Liability Discount Rate Sensitivity – The following presents the net pension liability of the City as of June 30, 2015, calculated using the discount rate of 8.00%, as well as what the City's 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 discount rate:

| | 1% Decrease in Discount Rate (7.00%) | Discount Rate (8.00%) | 1% Increase in Discount Rate (9.00%) |
|-----------------------|--|--------------------------|--|
| Net Pension Liability | \$ 117,953,715 | \$ 77,407,621 | \$ 43,690,714 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions – The City's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Inflation Rate | 3.50% |
| Payroll Growth | 5.00% including inflation |
| Investment Rate of Return | 8.00% |
| Productivity Pay Increase | 0.75% |
| Projected Salary Increases | Regular: 4.60% 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, 2015 funding actuarial valuation |

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. Mortality rates for all non-disabled police/fire members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members and all disabled police/fire members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Based on the City's proportionate share of the PERS net pension liability for the year ended June 30, 2016, the City recognized pension expense of \$8,423,852. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 5,734,413 |
| Net difference between projected and actual earnings on pension plan investments | - | 4,212,231 |
| Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions | 1,124,560 | 1,133,097 |
| City contributions subsequent to the measurement date | <u>10,810,096</u> | <u>-</u> |
| | <u>\$ 11,934,656</u> | <u>\$ 11,079,741</u> |

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date in the amount of \$10,810,096 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.7 years.

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

| <u>Year Ending June 30</u> | |
|----------------------------|----------------|
| 2017 | \$ (3,073,556) |
| 2018 | (3,073,556) |
| 2019 | (3,073,556) |
| 2020 | 593,169 |
| 2021 | (974,595) |
| Thereafter | (353,087) |

Additional Information – The PERS Comprehensive Annual Financial Report (CAFR) is available on the PERS website at www.nvpers.org under Quick Links – Publications.

Note 12 - Contingent Liabilities

There are lawsuits pending against the City of Sparks. The financial impact of remaining actions is not determinable at June 30, 2016, but in the opinion of management and legal counsel, any resulting liability will not materially affect the financial position or results of operations of the City.

The City of Sparks also has contingent liabilities due to developers. Infrastructure development in the Spanish Springs Sphere of Influence is being accomplished through development agreements. The purpose of the agreements is to establish a system of regulation for the allocation and payment of costs to assure that new development contributes its proportionate share to the cost of the required infrastructure. The agreements stipulate that should a developer provide land and/or capital improvements for dedication to the City, the costs incurred through dedication and/or construction of capital improvements by the owner will be credited against fees due. Such provisions in the agreements result in a liability of the City in the amount of the dedicated capital assets in excess of the fees due from the developers for future development. The liability is contingent on the pending receipt of infrastructure and future development permits issued. The contingent liability estimate of these credits due to developers at June 30, 2016 is \$4,926,500.

In addition to the above provisions, the City has entered into one agreement with a developer to reimburse excess fees paid to the City by the developer. Such reimbursement by the City occurs as monies become available via specific permits paid for by other developers. The long-term obligation under this agreement at June 30, 2016 is \$12,491.

Note 13 - Commitments

As of June 30, 2016, the City had the following significant commitments with respect to unfinished capital projects. Such amounts are included in the appropriate fund balance classification.

| | <u>Remaining Construction Commitment</u> | <u>Expected Date of Completion</u> |
|---------------------------------|--|--|
| Governmental funds | | |
| Nonmajor capital projects funds | | |
| Road Fund | | |
| Street rehabilitation | <u>\$ 924,808</u> | 2016-2017 |

Significant commitments, other than for unfinished capital projects, include the encumbrances outstanding in the General Fund which have been included in the appropriate classifications are shown below.

| | <u>Encumbrances</u> |
|--------------|------------------------|
| General fund | <u>\$ 144,140</u> |

See Note 6 for further information on the City's commitments related to the Truckee Meadows Water Reclamation Facility.

Note 14 - 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. The City reports its material risk management activities in the Internal Service Funds in accordance with GASB Statements No. 10 and No. 30. The Group Insurance Self-Insurance Fund accounts for life, medical, prescription, dental and vision insurance programs. The Worker's Compensation Insurance Fund accounts for worker's compensation claims, including long-term benefits such as wage replacement. The Municipal Self-Insurance Fund accounts for the costs related to general, auto and property liabilities.

Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

| | Fiscal Year Ended June 30, 2016 | | | |
|--|---------------------------------|---------------------------------------|--------------------------|-----------------------|
| | Beginning of Fiscal Year | Claims and Changes in Estimates | Claim Payments | End of Fiscal Year |
| Group Insurance Self-Insurance Fund | \$ 1,024,638 | \$ 9,486,604 | \$ (9,417,189) | \$ 1,094,053 |
| Municipal Self-Insurance Fund ⁽¹⁾ | 489,820 | 319,987 | (809,807) | - |
| Workers' Compensation Fund | 6,949,378 | 1,410,042 | (1,193,300) | 7,166,120 |
| | <u>\$ 8,463,836</u> | <u>\$ 11,216,633</u> | <u>\$ (11,420,296)</u> | <u>\$ 8,260,173</u> |
| Fiscal Year Ended June 30, 2015 (as restated) ⁽²⁾ | | | | |
| Group Insurance Self-Insurance Fund | \$ 920,896 | \$ 9,246,006 | \$ (9,142,264) | \$ 1,024,638 |
| Municipal Self-Insurance Fund ⁽¹⁾ | - | 990,381 | (500,561) ⁽¹⁾ | 489,820 |
| Workers' Compensation Fund | 9,991,328 | (1,978,119) | (1,063,831) | 6,949,378 |
| | <u>\$ 10,912,224</u> | <u>\$ 8,258,268</u> | <u>\$ (10,706,656)</u> | <u>\$ 8,463,836</u> |

⁽¹⁾ Claims payable for the Municipal Self-Insurance Fund of \$489,820 at June 30, 2015 are reported in accounts payable.

⁽²⁾ Claims payable for the Workers' Compensation Fund at June 30, 2015 were restated for correction of an error in amounts incurred but not reported of \$857,811 (See Note 17).

The City combines both self-insurance and commercial insurance to protect against loss. Settled claims resulting from these risks did not exceed commercial coverage over the past three fiscal years. The following is a detail of the coverages for the City's self-insured funds:

Group Insurance Self-Insurance – This fund charges the City's insured funds a fixed monthly premium per employee. Employee claims in excess of \$225,000 per occurrence are covered by excess insurance.

Workers' Compensation Insurance – The City is self-insured for individual worker's compensation claims up to \$2,000,000 for City police and firefighters and \$2,000,000 for all other City employees, per occurrence. Claims in excess of this limit are covered by excess insurance up to State statutory limits. This fund charges the City's insured funds an annual premium per employee, which may vary by employee type.

Municipal Self-Insurance – The City is self-insured for general liability claims up to \$100,000 for each occurrence, after which claims are covered by excess insurance. This fund charges other funds maintained by the City a premium derived from prior year actual claims and administrative costs allocated based on the number of employees in each fund.

Note 15 - Post-Employment Benefits

Accumulated Sick Leave

Upon retirement, qualified employees have the option of foregoing cash payment of their accumulated sick leave balances, by opting for conversion of the balance to fund their post-employment group health insurance premiums. The converted balances are reported as liabilities on the City's government-wide financial statements. The City pays the retirees' group health insurance premiums until exhaustion of the respective retirees' balances. Increases in premiums are to be passed along to retirees participating in the aforementioned program. However, those qualified employees who retired prior to or on December 10, 2001, will receive "premium credits" to partially offset their portion of the cost of the insurance premiums. The premium credits are calculated and awarded based upon length of service.

For the year ended June 30, 2016, the City paid \$888,055 in health insurance premiums on behalf of 104 retirees who opted for the conversion of their accumulated sick leave.

Post-employment Benefits Other than Pensions (OPEB)

From an accrual accounting perspective, the cost of post-employment healthcare and life insurance benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In accordance with Governmental Accounting Standards Board Statement No. 45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), the City recognizes the cost of post-employment healthcare and life insurance in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. The annual funding, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Plan Descriptions – The City of Sparks contributes to a single-employer defined benefit healthcare plan, City of Sparks Medical and Dental Benefit Plan (Sparks Plan) and an agent multiple employer defined benefit healthcare plan, Nevada Public Employees' Benefits Program (NPEBP). Each plan provides medical, dental, vision, long-term disability, accidental death and dismemberment, and life insurance benefits to eligible retired City employees and beneficiaries.

Benefit provisions for the Sparks Plan are established pursuant to NRS 287.023 and amended through negotiations between the City and the Group Health Plan Benefits Committee whose voting membership consists of representatives of employee bargaining groups. Benefit provisions for NPEBP are established pursuant to NRS 287.023 and subject to amendment through legislation by the State of Nevada each biennium.

Pursuant to NRS 287.023 (as amended during the 2007 session of the Nevada Legislature), through November 29, 2008, retirees had the option to participate in the Sparks Plan for postemployment health care benefits or to join the NPEBP offered by the State of Nevada. However, subsequent to November 29, 2008, new retirees no longer have the option of joining the NPEBP, yet still retain the option to participate in the Sparks Plan.

Local governments are required to pay the same portion of cost of coverage for those persons joining NPEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the NPEBP. As of June 30, 2016, 93 retirees from the City were utilizing this benefit. The subsidy paid directly to NPEBP by the City for this coverage for the year ended June 30, 2016 was \$300,062. The NPEBP Master Plan Document can be obtained by writing to the Nevada Public Employees Medical Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

NPEBP employer paid subsidy, adjusted for years of credited service, can range from \$61.90 to \$1,475.61 and may be allocated to more than one public employer based on retiree employment history.

Retirees in the Sparks Plan receive no direct subsidy from the City, with the following exceptions. City firefighters and Fire Chief Officers who retired after July 1, 2005 receive a subsidy equal to 60% of their health insurance premiums up to age 65, and 50% after age 65. City employees who retired prior to the adoption of the 1991-92 employee resolutions and contracts, receive a subsidy equal to the difference between current premium rates and the premium rates agreed to in their retirement agreement, which vary by year and bargaining unit of retirement. Also, employees retiring after 1992 and before December 2001 receive a subsidy equal to a \$5 credit towards health insurance premiums for each year of service. These subsidies range from \$30 to \$1,301.80 per month. In addition, under state law, retire loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the City. As of June 30, 2016, 186 retirees from the City were utilizing this benefit.

The premium rates in the Sparks Plan applicable to retirees not yet eligible for Medicare are the same as those for active employees; reduced rates apply to those retirees covered by Medicare. A summary of the monthly premium rates for the Sparks Plan, as of the June 30, 2016, are shown below:

| | Employee Only | Employee & Spouse | Employee & Child | Employee & Family |
|-----------------------|------------------|----------------------|---------------------|----------------------|
| Active employees | \$ 812.89 | \$ 1,492.69 | \$ 1,422.20 | \$ 2,121.62 |
| Retiree, no Medicare | 808.82 | 1,487.80 | 1,417.30 | 2,116.76 |
| Spouse, with Medicare | | 1,343.92 | | |
| Retiree, Medicare | 648.97 | 1,184.08 | N/A | 1,956.90 |
| Spouse, no Medicare | | 1,327.95 | | 1,813.02 |

Funding Policy and Annual OPEB Cost – The City is currently funding the annual OPEB cost according to projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2016, the City's Net Employer Contribution was \$650,168 to the Sparks Plan and \$300,062 to the NPEBP, for a total contribution of \$950,230. The actuarial valuation was prepared from employee and retiree data as of July 2014. The City data included a total of 558 participants in the Sparks Plan, consisting of 393 employees and 165 retirees, and a total of 101 participants in NPEBP, all retirees.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation (asset), by plan, for fiscal years 2014 through 2016 are as follows:

| Plan Type | Fiscal Year Ended June 30, | Annual OPEB Cost | Employer Contributions | Net OPEB Obligation (Asset) | Percentage of Annual OPEB Cost Contributed |
|-------------|-------------------------------|---------------------|---------------------------|-----------------------------------|---|
| Sparks Plan | 2016 | \$ 1,287,086 | \$ 650,168 | \$ 8,103,295 | 50.51% |
| Sparks Plan | 2015 | 1,249,095 | 511,724 | 7,466,377 | 40.97% |
| Sparks Plan | 2014 | 982,896 | 373,149 | 6,729,006 | 37.96% |
| NPEBP | 2016 | 307,680 | 300,062 | (44,406) | 97.52% |
| NPEBP | 2015 | 301,559 | 305,282 | (52,024) | 101.23% |
| NPEBP | 2014 | 354,581 | 353,183 | (48,301) | 99.61% |
| Totals | 2016 | 1,594,766 | 950,230 | 8,058,889 | 59.58% |
| Totals | 2015 | 1,550,654 | 817,006 | 7,414,353 | 52.69% |
| Totals | 2014 | 1,337,477 | 726,332 | 6,680,705 | 54.31% |

The net OPEB obligation (asset) (NOPEBO) as of June 30, 2016, was calculated as follows:

| | Sparks Plan | NPEBP | Totals |
|--|---------------------|--------------------|---------------------|
| Normal Cost (Current Service Cost) | \$ 493,527 | \$ - | \$ 493,527 |
| Amortization of the Unfunded Actuarial Accrued Liability (UAAL) | 780,034 | 310,679 | 1,090,713 |
| Interest on net OPEB obligation | 381,052 | (84,478) | 296,574 |
| Amortization on net OPEB obligation | (367,527) | 81,479 | (286,048) |
| Annual OPEB Cost | 1,287,086 | 307,680 | 1,594,766 |
| Contributions made | (650,168) | (300,062) | (950,230) |
| Increase in Net OPEB obligation | 636,918 | 7,618 | 644,536 |
| Net OPEB obligation (asset), beginning of year | 7,466,377 | (52,024) | 7,414,353 |
| Net OPEB obligation (asset), end of year | <u>\$ 8,103,295</u> | <u>\$ (44,406)</u> | <u>\$ 8,058,889</u> |

For governmental activities, the net OPEB obligation is liquidated by those funds with salaries and related benefits; resulting in the majority of the obligations being liquidated by the General Fund.

Funded Status and Funding Progress – The funded status of the plan as of the most recent actuarial valuation (July 1, 2014) is as follows:

| Plan | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (in millions) (c) | UAAL as a percentage of Covered Payrol [(b-a)/c] |
|-------------|--------------------------------|--|--|------------------------------------|--------------------------|--|---|
| Sparks Plan | 7/1/2014 | \$ - | \$ 19,796,651 | \$ 19,796,651 | 0.00% | \$ 34.3 | 57.72% |
| NPEBP | 7/1/2014 | - | 7,884,828 | 7,884,828 | 0.00% | N/A | N/A |
| Totals | 7/1/2014 | - | 27,681,479 | 27,681,479 | 0.00% | N/A | N/A |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the City are subject to continual revision as 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 following the notes to the financial statements, provides multi-year trend information about the ratio of the actuarial valuation of plan assets relative to the actuarial accrued liability for benefits over time.

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 benefits between the City and the plan members at that point.

Actuarial calculations reflect long-term perspectives and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

| | Sparks Plan | NPEBP |
|-------------------------------|---------------------------|---------------------------|
| Actuarial valuation date | July 1, 2014 | July 1, 2014 |
| Actuarial funding method | Projected unit credit | Projected unit credit |
| Amortization method | Level percentage of pay | Level percentage of pay |
| Remaining amortization period | 30 years, Open | 30 years, Open |
| Asset valuation method | Market value | Market value |
| Actuarial assumptions | | |
| Investment rate of return | 4.00% | 4.00% |
| Projected salary increases | 6.5% (8% Law Enforcement) | 6.5% (8% Law Enforcement) |
| Healthcare cost trend rate* | 5.70% | 5.70% |

*Declining gradually, over 70 years, to an ultimate rate of 4.24 percent. These rates include a 2.5% general inflation rate.

Note 16 - Capital Facilities Fund

Pursuant to NRS 354.598155, the Capital Facilities Fund, a nonmajor governmental fund, expended \$129,877 on the following:

| | |
|--|-------------------|
| Victorian Square Water Fountain Filter Retrofit | \$ 6,800 |
| Capital Facilities - Finance/IT Restroom Renovation | 4,544 |
| Capital Facilities - UPS System Upgrade Police Department | 18,886 |
| Capital Facilities - Fire Station 1 - Digital Control System | <u>99,647</u> |
| | <u>\$ 129,877</u> |

Note 17 - Accounting Changes

Corrections of Errors

As a result of City management's review of the incurred but not reported liability for worker's compensation, the City discovered previous calculations improperly excluded estimates for additional future costs associated with closed claims that reopen and other costs, and therefore the City's liability for worker's compensation claims was understated in prior years. Beginning net position and claims liabilities for governmental-type activities and internal service funds were restated to correct this error as disclosed in the tables below.

As a result of City and TMWRF management's review of the calculation of depreciation expense allocation between the owners of the TMWRF, City of Sparks and City of Reno, management discovered the previous allocations were recorded based on a general percentage allocation instead of the percentage that each entity owned the asset, and therefore the City's portion of accumulated depreciation was overstated. Beginning net position and investment in TMWRF for business-type activities were restated to correct this error as disclosed in the tables below.

The impact of the two corrections of errors is as follows:

| | <u>Government-Wide Financial Statement Impact</u> | | |
|---|---|-------------------------------------|-----------------------|
| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| Net position at June 30, 2015, as previously reported | \$ 222,175,777 | \$ 185,136,320 | \$ 407,312,097 |
| Correction of an Error | | | |
| Correction to claims liabilities | (857,811) | - | (857,811) |
| Correction to investment in TMWRF | <u>-</u> | <u>1,806,072</u> | <u>1,806,072</u> |
| Net position at July 1, 2015, as restated | <u>\$ 221,317,966</u> | <u>\$ 186,942,392</u> | <u>\$ 408,260,358</u> |

Proprietary Fund Financial Statement Impact

| | <u>Sewer Operations</u> | <u>Internal Service Funds</u> |
|--|-----------------------------|---------------------------------------|
| Net position at June 30, 2015, as previously reported | \$ 186,698,556 | \$ 7,970,278 |
| Correction of an Error | | |
| Correction to claims liabilities | - | (857,811) |
| Correction to investment in TMWRF | <u>1,806,072</u> | <u>-</u> |
| Net position at July 1, 2015, as restated | <u>\$ 188,504,628</u> | <u>\$ 7,112,467</u> |

Note 18 - Subsequent Events

Subsequent to June 30, 2016, the City issued General Obligation Sewer Refunding Bond Series 2016B in the amount of \$27,099,691 to refund all the outstanding Sewer Utility General Obligation Bonds that had original issue dates between 1999 and 2009. The 2016B refunding bonds essentially consolidated all the bonds that were previously held by the Nevada State Revolving Fund as managed by the Nevada State Treasurer's office into one new bond issue also held by the Nevada State Revolving Fund, but at a lower interest rate. Additionally, the City of Sparks Redevelopment Agency issued Tax Increment Revenue Refunding Bonds (Redevelopment Area No. 2) Series 2016 in the amount of \$9,660,000 to refund the Tax Increment Revenue Bonds (Redevelopment Area No. 2) Series 2008.



Required Supplementary Information
City of Sparks, Nevada

City of Sparks, Nevada
Other Postemployment Benefits – Schedule of Funding Progress
June 30, 2016

| Plan | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) ⁽¹⁾⁽²⁾ (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| Sparks' Plan | 7/1/2014 | \$ - | \$ 19,796,651 | \$ 19,796,651 | 0% | \$ 34,300,000 | 57.72% |
| NPEBP | 7/1/2014 | - | 7,884,828 | 7,884,828 | 0% | N/A | N/A |
| Total | | <u>\$ -</u> | <u>\$ 27,681,479</u> | <u>\$ 27,681,479</u> | | | |
| Sparks' Plan | 7/1/2012 | \$ - | \$ 16,391,284 | \$ 16,391,284 | 0% | \$ 34,100,000 | 48.00% |
| NPEBP | 7/1/2012 | - | 9,192,550 | 9,192,550 | 0% | N/A | N/A |
| Total | | <u>\$ -</u> | <u>\$ 25,583,834</u> | <u>\$ 25,583,834</u> | | | |
| Sparks' Plan | 7/1/2010 | \$ - | \$ 15,841,206 | \$ 15,841,206 | 0% | \$ 28,300,000 | 56.17% |
| NPEBP | 7/1/2010 | - | 8,863,876 | 8,863,876 | 0% | N/A | N/A |
| Total | | <u>\$ -</u> | <u>\$ 24,705,082</u> | <u>\$ 24,705,082</u> | | | |

⁽¹⁾The 2010, 2012, and 2014 valuations were prepared using the projected credit unit actuarial funding method.

⁽²⁾From 2012 to 2014, the NPEBP plan saw declines related to a decrease in participants, while the Sparks Plan saw an increase due to an additional two years of accrued service time and overall increases in benefit costs.

City of Sparks, Nevada
Schedule of City's Share of Net Pension Liability
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

| | 2015 | 2014 |
|---|---------------|---------------|
| City's portion of net the pension liability | 0.66963% | 0.68240% |
| City's proportionate share of the net pension liability | \$ 77,407,621 | \$ 71,650,806 |
| City's covered-employee payroll | \$ 34,743,493 | \$ 34,331,176 |
| City's proportional share of the net pension liability as a percentage of its covered-employee payroll | 222.80% | 208.70% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.10% | 76.30% |

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the City will present information only for those years for which information is available.

City of Sparks, Nevada
Schedule of City's Contributions
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

| | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|
| Statutorily required contribution | \$ 10,810,096 | \$ 10,336,095 |
| Contributions in relation to the statutorily required contribution | \$ 10,810,096 | \$ 10,336,095 |
| Contribution (deficiency) excess | \$ - | \$ - |
| Employer's covered-employee payroll | \$ 36,295,538 | \$ 34,743,493 |
| Contributions as a percentage of covered-employee payroll | 29.78% | 29.75% |

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, the City will present information only for those years for which information is available.



Supplementary Information
City of Sparks, Nevada

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City of Sparks, Nevada
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2016

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total |
|---|--------------------------|-----------------------|---------------------------|----------------------|
| Assets | | | | |
| Cash and investments | \$ 4,189,065 | \$ 1,392,862 | \$ 14,306,653 | \$ 19,888,580 |
| Accounts receivable, net | 1,351,530 | - | 778,457 | 2,129,987 |
| Notes receivable | - | - | 1,300,000 | 1,300,000 |
| Due from other governments | 214,538 | 44,393 | 632,775 | 891,706 |
| Restricted assets | | | | |
| Cash and investments | - | 4,175,730 | - | 4,175,730 |
| Total assets | \$ 5,755,133 | \$ 5,612,985 | \$ 17,017,885 | \$ 28,386,003 |
| Liabilities | | | | |
| Accounts payable | \$ 189,628 | \$ - | \$ 134,934 | \$ 324,562 |
| Accrued liabilities | 141,017 | - | 54,686 | 195,703 |
| Contracts payable | 38,483 | - | 511,145 | 549,628 |
| Contract retentions payable | 5,975 | - | 81,789 | 87,764 |
| Refundable deposits | 14,323 | - | 3,000 | 17,323 |
| Unearned revenues | 166,327 | - | 9,942 | 176,269 |
| Due to other funds | 64,284 | - | - | 64,284 |
| Due to other governments | 87,241 | - | 51,411 | 138,652 |
| Total liabilities | 707,278 | - | 846,907 | 1,554,185 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue – grants | 1,324,016 | - | - | 1,324,016 |
| Unavailable revenue – property taxes and other | - | 14,798 | 79,795 | 94,593 |
| Total deferred inflows of resources | 1,324,016 | 14,798 | 79,795 | 1,418,609 |
| Fund Balances | | | | |
| Restricted for | | | | |
| Grants and donations | 128,259 | - | - | 128,259 |
| Law enforcement | 547,422 | - | - | 547,422 |
| Promotion of special events | 159,265 | - | - | 159,265 |
| Various judicial uses | 168,745 | - | - | 168,745 |
| Municipal facilities construction | 141,561 | - | - | 141,561 |
| Court fee collection programs | 792,690 | - | - | 792,690 |
| Developer agreements | 686,883 | - | 447,320 | 1,134,203 |
| Bond proceeds defined projects | 25,590 | - | 11,370 | 36,960 |
| Debt service reserve | - | 5,598,187 | - | 5,598,187 |
| Parks and recreation | - | - | 3,460,484 | 3,460,484 |
| Street improvements and rehabilitation | - | - | 3,832,672 | 3,832,672 |
| Capital projects | - | - | 1,469,763 | 1,469,763 |
| Improvements to Victorian Square | - | - | 3,439,848 | 3,439,848 |
| Committed for | | | | |
| Economic development | 40,393 | - | - | 40,393 |
| Parks and recreation | 150,744 | - | - | 150,744 |
| Road surface repairs | 646,996 | - | - | 646,996 |
| Economic stabilization | 235,291 | - | - | 235,291 |
| Assigned for | | | | |
| Specific capital projects | - | - | 1,191,888 | 1,191,888 |
| Next year's budget deficit | - | - | 173,383 | 173,383 |
| Other capital projects | - | - | 2,064,455 | 2,064,455 |
| Total fund balances | 3,723,839 | 5,598,187 | 16,091,183 | 25,413,209 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 5,755,133 | \$ 5,612,985 | \$ 17,017,885 | \$ 28,386,003 |

City of Sparks, Nevada
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds
Year Ended June 30, 2016

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total |
|--|--------------------------|-----------------------|---------------------------|----------------------|
| Revenues | | | | |
| Taxes | \$ 196,000 | \$ 4,160,000 | \$ 2,118,822 | \$ 6,474,822 |
| Licenses and permits | 959,605 | - | 3,806,716 | 4,766,321 |
| Intergovernmental revenues | 1,923,260 | 177,572 | 2,439,125 | 4,539,957 |
| Charges for services | 2,728,192 | - | 102,303 | 2,830,495 |
| Miscellaneous | 159,255 | 16,759 | 402,163 | 578,177 |
| Total revenues | 5,966,312 | 4,354,331 | 8,869,129 | 19,189,772 |
| Expenditures | | | | |
| Current | | | | |
| General government | 9,589 | - | 249,123 | 258,712 |
| Judicial | 117,316 | - | - | 117,316 |
| Public safety | 834,761 | - | 107,504 | 942,265 |
| Public works | 256,104 | - | 3,118,572 | 3,374,676 |
| Culture and recreation | 3,553,905 | - | 1,084,009 | 4,637,914 |
| Community support | 631,716 | - | 965,042 | 1,596,758 |
| Total current | 5,403,391 | - | 5,524,250 | 10,927,641 |
| Capital outlay | | | | |
| General government | - | - | 1,605,705 | 1,605,705 |
| Judicial | 97,689 | - | - | 97,689 |
| Public safety | 12,923 | - | 181,311 | 194,234 |
| Public works | - | - | 3,103,478 | 3,103,478 |
| Culture and recreation | 452,655 | - | 236,842 | 689,497 |
| Community support | 213,285 | - | - | 213,285 |
| Total capital outlay | 776,552 | - | 5,127,336 | 5,903,888 |
| Debt service | | | | |
| Principal | - | 2,495,000 | - | 2,495,000 |
| Interest | - | 1,623,650 | - | 1,623,650 |
| Fiscal charges and other | - | 4,366 | - | 4,366 |
| Total debt service | - | 4,123,016 | - | 4,123,016 |
| Total expenditures | 6,179,943 | 4,123,016 | 10,651,586 | 20,954,545 |
| Excess (Deficiency) of Revenues over Expenditures | (213,631) | 231,315 | (1,782,457) | (1,764,773) |
| Other Financing Sources (Uses) | | | | |
| Capital asset sales | - | - | 934,000 | 934,000 |
| Transfers | | | | |
| Transfers in | 846,200 | 818,000 | 2,789,589 | 4,453,789 |
| Transfers out | (123,684) | (918,000) | (2,389,477) | (3,431,161) |
| Total other financing sources (uses) | 722,516 | (100,000) | 1,334,112 | 1,956,628 |
| Net Change in Fund Balances | 508,885 | 131,315 | (448,345) | 191,855 |
| Fund Balances, Beginning of Year | 3,214,954 | 5,466,872 | 16,539,528 | 25,221,354 |
| Fund Balances, End of Year | \$ 3,723,839 | \$ 5,598,187 | \$ 16,091,183 | \$ 25,413,209 |

Community Development Block Grant Fund

To account for monies received by the City as a grantee in the Federal Community Development Small Cities Discretionary Grant Program, which must be used for qualifying projects.

Community Development Entitlement Grant Fund

To account for monies received by the City as a grantee in the Federal Community Development Entitlement Grant Program, which must be used for qualifying programs.

Sparks Grants and Donations Fund

To account for monies from all governmental fund grant awards, donations and other designated use awards, except Community Development and Block Grant awards, received by the City of Sparks to be used in accordance with award documentation.

Tourism and Marketing Fund

To account for resources received pursuant to the Washoe County Taxes on Transient Lodging Act of 1999.

Parks and Recreation Program Fund

To account for monies received from recreation program registration fees to finance those recreation programs administered by the Recreation Department.

Court Administrative Assessment Fund

To account for monies received from the Municipal Court administrative fees to finance Municipal Court related improvements.

Street Cut Fund

To account for resources received principally from private utility companies to repair City streets after they have been cut to perform underground utility work.

Impact Fee Service Area No. 1 Fund

To account for impact fees to be collected in the Northern Sparks Sphere of Influence.

Tourism Improvement District 1 Fund

To account for monies deposited into the fund, from proceeds of Sales Tax Anticipation Revenue Bonds, to be used to acquire, improve, and equip certain real and personal property within the City of Sparks, Nevada Tourism Improvement District No. 1 (Legends at Sparks Marina).

Stabilization Fund

To account for resources committed by the City Council for fiscal emergencies.

| | Community Development Block Grant | Community Development Entitlement Grant | Sparks Grants and Donations | Tourism and Marketing |
|---|---|--|-----------------------------------|--------------------------|
| Assets | | | | |
| Cash and investments | \$ - | \$ - | \$ 624,303 | \$ 181,915 |
| Accounts receivable, net | 1,324,016 | - | 5,000 | - |
| Due from other governments | - | 88,188 | 126,350 | - |
| Total assets | <u>\$ 1,324,016</u> | <u>\$ 88,188</u> | <u>\$ 755,653</u> | <u>\$ 181,915</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ 3,264 | \$ 48,336 | \$ 22,650 |
| Accrued liabilities | - | 1,033 | 11,765 | - |
| Contracts payable | - | 5,380 | 8 | - |
| Contract retentions payable | - | - | - | - |
| Refundable deposits | - | - | - | - |
| Unearned revenues | - | - | - | - |
| Due to other funds | - | 64,284 | - | - |
| Due to other governments | - | 14,227 | 19,863 | - |
| Total liabilities | <u>-</u> | <u>88,188</u> | <u>79,972</u> | <u>22,650</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue – grants | <u>1,324,016</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | |
| Restricted for | | | | |
| Grants and donations | - | - | 128,259 | - |
| Law enforcement | - | - | 547,422 | - |
| Promotion of special events | - | - | - | 159,265 |
| Various judicial uses | - | - | - | - |
| Municipal facilities construction | - | - | - | - |
| Court fee collection programs | - | - | - | - |
| Developer agreements | - | - | - | - |
| Bond proceeds defined projects | - | - | - | - |
| Committed for | | | | |
| Economic development | - | - | - | - |
| Parks and recreation | - | - | - | - |
| Road surface repairs | - | - | - | - |
| Economic stabilization | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>675,681</u> | <u>159,265</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,324,016</u> | <u>\$ 88,188</u> | <u>\$ 755,653</u> | <u>\$ 181,915</u> |

City of Sparks, Nevada
Combining Balance Sheet – Nonmajor Special Revenue Funds
June 30, 2016

| Parks and Recreation Program | Court Administrative Assessment | Street Cut | Impact Fee Service Area No. 1 | Tourism Improvement District 1 | Stabilization | Total |
|------------------------------------|---------------------------------------|-------------------|-------------------------------------|--------------------------------------|-------------------|---------------------|
| \$ 615,816 | \$ 1,142,014 | \$ 650,771 | \$ 713,365 | \$ 25,590 | \$ 235,291 | \$ 4,189,065 |
| 22,462 | 52 | - | - | - | - | 1,351,530 |
| - | - | - | - | - | - | 214,538 |
| <u>\$ 638,278</u> | <u>\$ 1,142,066</u> | <u>\$ 650,771</u> | <u>\$ 713,365</u> | <u>\$ 25,590</u> | <u>\$ 235,291</u> | <u>\$ 5,755,133</u> |
| \$ 88,842 | \$ - | \$ 54 | \$ 26,482 | \$ - | \$ - | \$ 189,628 |
| 125,855 | - | 2,364 | - | - | - | 141,017 |
| - | 33,095 | - | - | - | - | 38,483 |
| - | 5,975 | - | - | - | - | 5,975 |
| 14,323 | - | - | - | - | - | 14,323 |
| 166,327 | - | - | - | - | - | 166,327 |
| - | - | - | - | - | - | 64,284 |
| 51,794 | - | 1,357 | - | - | - | 87,241 |
| <u>447,141</u> | <u>39,070</u> | <u>3,775</u> | <u>26,482</u> | <u>-</u> | <u>-</u> | <u>707,278</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,324,016</u> |
| - | - | - | - | - | - | 128,259 |
| - | - | - | - | - | - | 547,422 |
| - | - | - | - | - | - | 159,265 |
| - | 168,745 | - | - | - | - | 168,745 |
| - | 141,561 | - | - | - | - | 141,561 |
| - | 792,690 | - | - | - | - | 792,690 |
| - | - | - | 686,883 | - | - | 686,883 |
| - | - | - | - | 25,590 | - | 25,590 |
| 40,393 | - | - | - | - | - | 40,393 |
| 150,744 | - | - | - | - | - | 150,744 |
| - | - | 646,996 | - | - | - | 646,996 |
| - | - | - | - | - | 235,291 | 235,291 |
| <u>191,137</u> | <u>1,102,996</u> | <u>646,996</u> | <u>686,883</u> | <u>25,590</u> | <u>235,291</u> | <u>3,723,839</u> |
| <u>\$ 638,278</u> | <u>\$ 1,142,066</u> | <u>\$ 650,771</u> | <u>\$ 713,365</u> | <u>\$ 25,590</u> | <u>\$ 235,291</u> | <u>\$ 5,755,133</u> |

| | Community Development Block Grant | Community Development Entitlement Grant | Sparks Grants and Donations | Tourism and Marketing |
|--|---|--|-----------------------------------|--------------------------|
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 196,000 |
| Licenses and permits | - | - | - | - |
| Intergovernmental revenues | - | 597,257 | 1,073,558 | - |
| Charges for services | 59,104 | - | 1,549 | - |
| Miscellaneous | - | - | 141,959 | 269 |
| Total revenues | 59,104 | 597,257 | 1,217,066 | 196,269 |
| Expenditures | | | | |
| Current | | | | |
| General government | - | - | 9,589 | - |
| Judicial | - | - | 26,633 | - |
| Public safety | - | - | 700,251 | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | 75,416 | - |
| Community support | 59,104 | 371,896 | - | 182,392 |
| Total current | 59,104 | 371,896 | 811,889 | 182,392 |
| Capital outlay | | | | |
| Judicial | - | - | - | - |
| Public safety | - | - | 12,923 | - |
| Culture and recreation | - | - | 452,655 | - |
| Community support | - | 213,285 | - | - |
| Total capital outlay | - | 213,285 | 465,578 | - |
| Total expenditures | 59,104 | 585,181 | 1,277,467 | 182,392 |
| Excess (Deficiency) of Revenues over Expenditures | - | 12,076 | (60,401) | 13,877 |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | (11,200) |
| Total other financing sources (uses) | - | - | - | (11,200) |
| Net Change in Fund Balances | - | 12,076 | (60,401) | 2,677 |
| Fund Balances, Beginning of Year | - | (12,076) | 736,082 | 156,588 |
| Fund Balances, End of Year | \$ - | \$ - | \$ 675,681 | \$ 159,265 |

City of Sparks, Nevada
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Special Revenue Funds
Year Ended June 30, 2016

| Parks and Recreation Program | Court Administrative Assessment | Street Cut | Impact Fee Service Area No. 1 | Tourism Improvement District 1 | Stabilization | Total |
|------------------------------------|---------------------------------------|-------------------|-------------------------------------|--------------------------------------|-------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 196,000 |
| 26,713 | - | 460,307 | 472,585 | - | - | 959,605 |
| - | 252,445 | - | - | - | - | 1,923,260 |
| 2,667,539 | - | - | - | - | - | 2,728,192 |
| 4,063 | - | 587 | 8,118 | 75 | 4,184 | 159,255 |
| <u>2,698,315</u> | <u>252,445</u> | <u>460,894</u> | <u>480,703</u> | <u>75</u> | <u>4,184</u> | <u>5,966,312</u> |
| - | - | - | - | - | - | 9,589 |
| - | 90,683 | - | - | - | - | 117,316 |
| - | - | - | 134,510 | - | - | 834,761 |
| - | - | 256,104 | - | - | - | 256,104 |
| 3,478,489 | - | - | - | - | - | 3,553,905 |
| - | - | - | - | 18,324 | - | 631,716 |
| <u>3,478,489</u> | <u>90,683</u> | <u>256,104</u> | <u>134,510</u> | <u>18,324</u> | <u>-</u> | <u>5,403,391</u> |
| - | 97,689 | - | - | - | - | 97,689 |
| - | - | - | - | - | - | 12,923 |
| - | - | - | - | - | - | 452,655 |
| - | - | - | - | - | - | 213,285 |
| <u>-</u> | <u>97,689</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>776,552</u> |
| <u>3,478,489</u> | <u>188,372</u> | <u>256,104</u> | <u>134,510</u> | <u>18,324</u> | <u>-</u> | <u>6,179,943</u> |
| <u>(780,174)</u> | <u>64,073</u> | <u>204,790</u> | <u>346,193</u> | <u>(18,249)</u> | <u>4,184</u> | <u>(213,631)</u> |
| 846,200 | - | - | - | - | - | 846,200 |
| - | - | - | (112,484) | - | - | (123,684) |
| <u>846,200</u> | <u>-</u> | <u>-</u> | <u>(112,484)</u> | <u>-</u> | <u>-</u> | <u>722,516</u> |
| 66,026 | 64,073 | 204,790 | 233,709 | (18,249) | 4,184 | 508,885 |
| 125,111 | 1,038,923 | 442,206 | 453,174 | 43,839 | 231,107 | 3,214,954 |
| <u>\$ 191,137</u> | <u>\$ 1,102,996</u> | <u>\$ 646,996</u> | <u>\$ 686,883</u> | <u>\$ 25,590</u> | <u>\$ 235,291</u> | <u>\$ 3,723,839</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Community Development Block Grant Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|-----------------------------------|------------------|-------------|--------------------|-------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Charges for services | | | | |
| Federal grant-loan reimbursements | | | | |
| Housing rehabilitation | \$ 77,104 | \$ 59,104 | \$ (18,000) | \$ 73,929 |
| Expenditures | | | | |
| Community support | | | | |
| Services and supplies | 77,104 | 59,104 | 18,000 | 91,200 |
| Net Change in Fund Balances | - | - | - | (17,271) |
| Fund Balances, Beginning of Year | 17,271 | - | (17,271) | 17,271 |
| Fund Balances, End of Year | <u>\$ 17,271</u> | <u>\$ -</u> | <u>\$ (17,271)</u> | <u>\$ -</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Community Development Entitlement Grant Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|---|-----------------|------------|-------------|-------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Intergovernmental revenues | | | | |
| Community Development Block and Entitlement grants | \$ 660,957 | \$ 597,257 | \$ (63,700) | \$ 561,023 |
| Expenditures | | | | |
| Community support | | | | |
| Salaries and wages | 76,476 | 76,547 | (71) | 79,697 |
| Employee benefits | 39,529 | 35,137 | 4,392 | 35,230 |
| Services and supplies | 300,037 | 260,212 | 39,825 | 197,515 |
| Capital outlay | 460,965 | 213,285 | 247,680 | 260,657 |
| Total expenditures | 877,007 | 585,181 | 291,826 | 573,099 |
| Net Change in Fund Balances | (216,050) | 12,076 | 228,126 | (12,076) |
| Fund Balances, Beginning of Year | 216,050 | (12,076) | (228,126) | - |
| Fund Balances, End of Year | \$ - | \$ - | \$ - | \$ (12,076) |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Sparks Grants and Donations Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|---|------------------|------------------|------------------|------------------|
| | Final Budget | Actual | Variance | |
| Revenues | | | | |
| Intergovernmental revenues | | | | |
| Federal grants | | | | |
| Department of Justice | \$ 174,370 | \$ 144,186 | \$ (30,184) | \$ 130,831 |
| Department of Transportation, Traffic Safety | 169,814 | 71,511 | (98,303) | 229,360 |
| Department of Homeland Security | 57,793 | 50,827 | (6,966) | 412,732 |
| Department of Health and Human Services | - | 735 | 735 | 1,000 |
| Executive Office of the President | 4,837 | 7,105 | 2,268 | - |
| State grants | | | | |
| Local Emergency Planning Committee grants | 8,492 | 8,492 | - | - |
| Washoe County | 79,219 | 52,822 | (26,397) | - |
| Other local government shared revenues | | | | |
| Crime forfeitures | 251,038 | 251,038 | - | 518,635 |
| Other | 513,722 | 486,842 | (26,880) | 43,345 |
| Charges for services | | | | |
| Other | 1,549 | 1,549 | - | 4,439 |
| Miscellaneous | | | | |
| Investment income | - | 606 | 606 | 155 |
| Other | 92,608 | 141,353 | 48,745 | 64,069 |
| Total revenues | <u>1,353,442</u> | <u>1,217,066</u> | <u>(136,376)</u> | <u>1,404,566</u> |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | <u>31,256</u> | <u>9,589</u> | <u>21,667</u> | <u>2,780</u> |
| Judicial | | | | |
| Services and supplies | <u>30,094</u> | <u>26,633</u> | <u>3,461</u> | <u>13,010</u> |
| Public safety | | | | |
| Salaries and wages | 316,290 | 203,675 | 112,615 | 184,491 |
| Employee benefits | 42,193 | 68,417 | (26,224) | 9,376 |
| Services and supplies | 713,971 | 428,159 | 285,812 | 453,357 |
| Capital outlay | <u>337,359</u> | <u>12,923</u> | <u>324,436</u> | <u>458,091</u> |
| Total public safety | <u>1,409,813</u> | <u>713,174</u> | <u>696,639</u> | <u>1,105,315</u> |
| Culture and recreation | | | | |
| Salaries and wages | 34,179 | 9,955 | 24,224 | 8,468 |
| Employee benefits | 591 | 212 | 379 | 271 |
| Services and supplies | 590,380 | 65,249 | 525,131 | 67,119 |
| Capital outlay | <u>-</u> | <u>452,655</u> | <u>(452,655)</u> | <u>-</u> |
| Total culture and recreation | <u>625,150</u> | <u>528,071</u> | <u>97,079</u> | <u>75,858</u> |
| Total expenditures | <u>2,096,313</u> | <u>1,277,467</u> | <u>818,846</u> | <u>1,196,963</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 Sparks Grants and Donations Fund
 Year Ended June 30, 2016
 (with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|----------------------------------|-------------------------|-------------------|-------------------|-------------------|
| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>2015</u> |
| Net Change in Fund Balances | \$ (742,871) | \$ (60,401) | \$ 682,470 | \$ 207,603 |
| Fund Balances, Beginning of Year | <u>1,271,815</u> | <u>736,082</u> | <u>(535,733)</u> | <u>528,479</u> |
| Fund Balances, End of Year | <u>\$ 528,944</u> | <u>\$ 675,681</u> | <u>\$ 146,737</u> | <u>\$ 736,082</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Tourism and Marketing Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|-----------------|------------|------------|------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Room taxes | \$ 196,000 | \$ 196,000 | \$ - | \$ 196,000 |
| Miscellaneous | | | | |
| Investment income | 75 | 269 | 194 | 89 |
| Total revenues | 196,075 | 196,269 | 194 | 196,089 |
| Expenditures | | | | |
| Community support | | | | |
| Services and supplies | 241,200 | 182,392 | 58,808 | 184,709 |
| Excess (Deficiency) of Revenues over Expenditures | (45,125) | 13,877 | 59,002 | 11,380 |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers out | - | (11,200) | (11,200) | (7,802) |
| Net Change in Fund Balances | (45,125) | 2,677 | 47,802 | 3,578 |
| Fund Balances, Beginning of Year | 102,140 | 156,588 | 54,448 | 153,010 |
| Fund Balances, End of Year | \$ 57,015 | \$ 159,265 | \$ 102,250 | \$ 156,588 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Parks and Recreation Program Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|------------------|-------------------|-------------------|--------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Licenses and permits | | | | |
| Concession franchise fees | \$ 18,200 | \$ 26,713 | \$ 8,513 | \$ 18,419 |
| Charges for services | | | | |
| Recreation program fees | 2,313,740 | 2,380,091 | 66,351 | 2,197,175 |
| Administrative service charges | 5,000 | 2,428 | (2,572) | 3,799 |
| Other | 292,047 | 285,020 | (7,027) | 302,309 |
| Miscellaneous | | | | |
| Other | 1,400 | 4,063 | 2,663 | 2,028 |
| Total revenues | <u>2,630,387</u> | <u>2,698,315</u> | <u>67,928</u> | <u>2,523,730</u> |
| Expenditures | | | | |
| Culture and recreation | | | | |
| Salaries and wages | 2,243,624 | 2,305,153 | (61,529) | 2,195,499 |
| Employee benefits | 607,782 | 553,917 | 53,865 | 536,302 |
| Services and supplies | 649,579 | 619,419 | 30,160 | 545,574 |
| Capital outlay | 30,000 | - | 30,000 | 360,836 |
| Total expenditures | <u>3,530,985</u> | <u>3,478,489</u> | <u>52,496</u> | <u>3,638,211</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(900,598)</u> | <u>(780,174)</u> | <u>120,424</u> | <u>(1,114,481)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers in | 835,000 | 846,200 | 11,200 | 677,802 |
| Total other financing sources (uses) | <u>835,000</u> | <u>846,200</u> | <u>11,200</u> | <u>677,802</u> |
| Net Change in Fund Balances | (65,598) | 66,026 | 131,624 | (436,679) |
| Fund Balances, Beginning of Year | <u>79,579</u> | <u>125,111</u> | <u>45,532</u> | <u>561,790</u> |
| Fund Balances, End of Year | <u>\$ 13,981</u> | <u>\$ 191,137</u> | <u>\$ 177,156</u> | <u>\$ 125,111</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Court Administrative Assessment Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|-----------------|--------------|------------|--------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Intergovernmental revenues | | | | |
| Municipal court administrative assessments | \$ 35,000 | \$ 36,228 | \$ 1,228 | \$ 38,823 |
| Court collection fees | 180,000 | 164,660 | (15,340) | 188,242 |
| Court facility administrative assessments | 55,000 | 51,557 | (3,443) | 54,985 |
| Total revenues | 270,000 | 252,445 | (17,555) | 282,050 |
| Expenditures | | | | |
| Judicial | | | | |
| Services and supplies | 933,092 | 90,683 | 842,409 | 186,288 |
| Capital outlay | 100,689 | 97,689 | 3,000 | 25,839 |
| Total expenditures | 1,033,781 | 188,372 | 845,409 | 212,127 |
| Excess (Deficiency) of Revenues over expenditures | (763,781) | 64,073 | 827,854 | 69,923 |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers out | - | - | - | (7,500) |
| Net Change in Fund Balances | (763,781) | 64,073 | 827,854 | 62,423 |
| Fund Balances, Beginning of Year | 1,091,402 | 1,038,923 | (52,479) | 976,500 |
| Fund Balances, End of Year | \$ 327,621 | \$ 1,102,996 | \$ 775,375 | \$ 1,038,923 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Street Cut Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|----------------------------------|-----------------|------------|------------|------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Licenses and permits | | | | |
| Street cut permits | \$ 448,103 | \$ 460,307 | \$ 12,204 | \$ 354,886 |
| Miscellaneous | | | | |
| Investment income | 60 | 587 | 527 | 109 |
| Total revenues | 448,163 | 460,894 | 12,731 | 354,995 |
| Expenditures | | | | |
| Public works | | | | |
| Salaries and wages | 32,370 | 32,578 | (208) | 30,476 |
| Employee benefits | 17,869 | 18,045 | (176) | 15,350 |
| Services and supplies | 566,364 | 205,481 | 360,883 | 239,632 |
| Total expenditures | 616,603 | 256,104 | 360,499 | 285,458 |
| Net Change in Fund Balances | (168,440) | 204,790 | 373,230 | 69,537 |
| Fund Balances, Beginning of Year | 442,203 | 442,206 | 3 | 372,669 |
| Fund Balances, End of Year | \$ 273,763 | \$ 646,996 | \$ 373,233 | \$ 442,206 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Impact Fee Service Area No. 1 Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Licenses and permits | | | | |
| Flood control fees | \$ 7,000 | \$ 23,389 | \$ 16,389 | \$ 22,380 |
| Public facility fees | 120,000 | 134,220 | 14,220 | 107,536 |
| Park fees | 90,000 | 202,873 | 112,873 | 114,326 |
| Sanitary sewer fee | 80,500 | 112,103 | 31,603 | 89,864 |
| Miscellaneous | | | | |
| Investment income | 2,500 | 8,118 | 5,618 | 2,761 |
| Total revenues | <u>300,000</u> | <u>480,703</u> | <u>180,703</u> | <u>336,867</u> |
| Expenditures | | | | |
| Public safety | | | | |
| Services and supplies | 148,000 | 134,510 | 13,490 | 107,641 |
| Public works | | | | |
| Services and supplies | 100 | - | 100 | - |
| Total expenditures | <u>148,100</u> | <u>134,510</u> | <u>13,590</u> | <u>107,641</u> |
| Excess (Deficiency) of Revenues over Expenditures | 151,900 | 346,193 | 194,293 | 229,226 |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers out | (80,500) | (112,484) | (31,984) | (89,987) |
| Net Change in Fund Balances | 71,400 | 233,709 | 162,309 | 139,239 |
| Fund Balances, Beginning of Year | <u>443,834</u> | <u>453,174</u> | <u>9,340</u> | <u>313,935</u> |
| Fund Balances, End of Year | <u>\$ 515,234</u> | <u>\$ 686,883</u> | <u>\$ 171,649</u> | <u>\$ 453,174</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Tourism Improvement District 1 Fund

Year Ended June 30, 2016

(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|----------------------------------|------------------|------------------|--------------------|------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Miscellaneous | | | | |
| Investment income | \$ 15 | \$ 75 | \$ 60 | \$ 16 |
| Expenditures | | | | |
| Community support | | | | |
| Services and supplies | 10,000 | 18,324 | (8,324) | 13,570 |
| Net Change in Fund Balances | (9,985) | (18,249) | (8,264) | (13,554) |
| Fund Balances, Beginning of Year | 47,408 | 43,839 | (3,569) | 57,393 |
| Fund Balances, End of Year | <u>\$ 37,423</u> | <u>\$ 25,590</u> | <u>\$ (11,833)</u> | <u>\$ 43,839</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Stabilization Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|----------------------------------|-------------------|-------------------|-----------------|-------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Miscellaneous | | | | |
| Investment income | \$ 1,000 | \$ 4,184 | \$ 3,184 | \$ 1,882 |
| Net Change in Fund Balances | 1,000 | 4,184 | 3,184 | 1,882 |
| Fund Balances, Beginning of Year | 230,225 | 231,107 | 882 | 229,225 |
| Fund Balances, End of Year | <u>\$ 231,225</u> | <u>\$ 235,291</u> | <u>\$ 4,066</u> | <u>\$ 231,107</u> |

Major Debt Service Fund

General Obligation Debt Service Fund

To accumulate monies for the payment of the following general obligation bonds and revenue bonds:

- General Obligation (Limited Tax) Medium Term Bonds - Series 2007A
- General Obligation (Limited Tax) Medium Term Bonds - Series 2007B

Ad valorem taxes are used to service the debt.

- Consolidated Tax Refunding Revenue Bond - Series 2011
- Consolidated Tax Refunding Revenue Bond - Series 2014

Consolidated taxes are used to service the debt.

- Senior Sales Tax Anticipation Revenue Bonds – Series A
- Subordinated Sales Tax Anticipation Revenue Bonds – Series A

Sales taxes are used to service the debt.

- 2008 Limited Obligation Improvement Bonds

Special assessments are used to service the debt.

Nonmajor Debt Service Funds

Redevelopment Agency Area No. 1 Tax Revenue Fund

To accumulate monies for the payment of the following debt for the Redevelopment Agency Area No. 1:

- Tax Increment Refunding Revenue Bonds – Series 2010

Ad valorem taxes and governmental services taxes are used to service the debt.

Redevelopment Agency Area No. 2 Debt Service Fund

To accumulate monies for the payment of the following debt for the Redevelopment Agency Area No. 2:

- Tax Increment Revenue Bonds – Series 2008
- Subordinate Lien Tax Increment Revenue Bonds – Series 2014

Ad valorem taxes are used to service the debt.

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
General Obligation Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|----------------------|----------------------|-------------------|----------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Special assessments | \$ 1,801,785 | \$ 1,998,081 | \$ 196,296 | \$ 1,824,202 |
| Intergovernmental revenues | | | | |
| Dedicated sales tax - improvement districts | 10,005,878 | 10,659,831 | 653,953 | 10,184,516 |
| Miscellaneous | | | | |
| Investment income | 3,100 | 38,158 | 35,058 | 5,401 |
| Other | - | 29,705 | 29,705 | 2,413 |
| Total revenues | <u>11,810,763</u> | <u>12,725,775</u> | <u>915,012</u> | <u>12,016,532</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 4,903,000 | 4,903,000 | - | 11,322,000 |
| Interest | <u>8,932,063</u> | <u>9,297,331</u> | <u>(365,268)</u> | <u>9,524,948</u> |
| Total expenditures | <u>13,835,063</u> | <u>14,200,331</u> | <u>(365,268)</u> | <u>20,846,948</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(2,024,300)</u> | <u>(1,474,556)</u> | <u>549,744</u> | <u>(8,830,416)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers in | <u>2,088,697</u> | <u>2,088,698</u> | <u>1</u> | <u>2,086,554</u> |
| Total other financing sources (uses) | <u>2,088,697</u> | <u>2,088,698</u> | <u>1</u> | <u>2,086,554</u> |
| Net Change in Fund Balances | 64,397 | 614,142 | 549,745 | (6,743,862) |
| Fund Balances, Beginning of Year | <u>15,260,238</u> | <u>15,337,891</u> | <u>77,653</u> | <u>22,081,753</u> |
| Fund Balances, End of Year | <u>\$ 15,324,635</u> | <u>\$ 15,952,033</u> | <u>\$ 627,398</u> | <u>\$ 15,337,891</u> |

City of Sparks, Nevada
Combining Balance Sheet – Nonmajor Debt Service Funds
June 30, 2016

| | Redevelopment Agency Area No. 1 Tax Revenue | Redevelopment Agency Area No. 2 Debt Service | Total |
|---|--|---|----------------------------|
| Assets | | | |
| Cash and investments | \$ 888,364 | \$ 504,498 | \$ 1,392,862 |
| Due from other governments | 44,393 | - | 44,393 |
| Restricted assets | | | |
| Cash and investments | <u>2,216,500</u> | <u>1,959,230</u> | <u>4,175,730</u> |
| Total assets | <u><u>\$ 3,149,257</u></u> | <u><u>\$ 2,463,728</u></u> | <u><u>\$ 5,612,985</u></u> |
| Deferred Inflows of Resources | | | |
| Unavailable revenue – government service taxes | <u>\$ 14,798</u> | <u>\$ -</u> | <u>\$ 14,798</u> |
| Fund Balances | | | |
| Restricted for | | | |
| Debt service reserve | <u>3,134,459</u> | <u>2,463,728</u> | <u>5,598,187</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u><u>\$ 3,149,257</u></u> | <u><u>\$ 2,463,728</u></u> | <u><u>\$ 5,612,985</u></u> |

City of Sparks, Nevada

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds

Year Ended June 30, 2016

| | Redevelopment Agency Area No. 1 Tax Revenue | Redevelopment Agency Area No. 2 Debt Service | Total |
|--|--|---|---------------------|
| Revenues | | | |
| Taxes | \$ 2,175,000 | \$ 1,985,000 | \$ 4,160,000 |
| Intergovernmental revenues | 177,572 | - | 177,572 |
| Miscellaneous | 7,241 | 9,518 | 16,759 |
| Total revenues | <u>2,359,813</u> | <u>1,994,518</u> | <u>4,354,331</u> |
| Expenditures | | | |
| Debt service | | | |
| Principal | 1,580,000 | 915,000 | 2,495,000 |
| Interest | 709,881 | 913,769 | 1,623,650 |
| Fiscal charges and other | - | 4,366 | 4,366 |
| Total expenditures | <u>2,289,881</u> | <u>1,833,135</u> | <u>4,123,016</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>69,932</u> | <u>161,383</u> | <u>231,315</u> |
| Other Financing Sources (Uses) | | | |
| Transfers | | | |
| Transfers in | 168,000 | 650,000 | 818,000 |
| Transfers out | (168,000) | (750,000) | (918,000) |
| Total other financing sources (uses) | <u>-</u> | <u>(100,000)</u> | <u>(100,000)</u> |
| Net Change in Fund Balances | 69,932 | 61,383 | 131,315 |
| Fund Balance, Beginning of Year | <u>3,064,527</u> | <u>2,402,345</u> | <u>5,466,872</u> |
| Fund Balance, End of Year | <u>\$ 3,134,459</u> | <u>\$ 2,463,728</u> | <u>\$ 5,598,187</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Redevelopment Agency Area No. 1 Tax Revenue Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|---------------------|---------------------|-------------------|---------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 2,080,000 | \$ 2,175,000 | \$ 95,000 | \$ 2,137,000 |
| Intergovernmental revenues | | | | |
| Motor vehicle privilege tax | 177,572 | 177,572 | - | 207,167 |
| Miscellaneous | | | | |
| Investment income | 4,600 | 7,241 | 2,641 | 6,758 |
| Total revenues | <u>2,262,172</u> | <u>2,359,813</u> | <u>97,641</u> | <u>2,350,925</u> |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 1,580,000 | 1,580,000 | - | 1,520,000 |
| Interest | 709,881 | 709,881 | - | 770,681 |
| Fiscal charges and other | 1,000 | - | 1,000 | 2,000 |
| Total expenditures | <u>2,290,881</u> | <u>2,289,881</u> | <u>1,000</u> | <u>2,292,681</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(28,709)</u> | <u>69,932</u> | <u>98,641</u> | <u>58,244</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers in | - | 168,000 | 168,000 | 15,000 |
| Transfers out | - | (168,000) | (168,000) | (15,000) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | (28,709) | 69,932 | 98,641 | 58,244 |
| Fund Balances, Beginning of Year | <u>3,033,771</u> | <u>3,064,527</u> | <u>30,756</u> | <u>3,006,283</u> |
| Fund Balances, End of Year | <u>\$ 3,005,062</u> | <u>\$ 3,134,459</u> | <u>\$ 129,397</u> | <u>\$ 3,064,527</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Redevelopment Agency Area No. 2 Debt Service Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|-----------------|--------------|-------------|--------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 2,030,000 | \$ 1,985,000 | \$ (45,000) | \$ 1,990,000 |
| Miscellaneous | | | | |
| Investment income | 4,000 | 9,518 | 5,518 | 5,803 |
| Total revenues | 2,034,000 | 1,994,518 | (39,482) | 1,995,803 |
| Expenditures | | | | |
| Debt service | | | | |
| Principal | 915,000 | 915,000 | - | 955,000 |
| Interest | 913,769 | 913,769 | - | 912,705 |
| Fiscal charges and other | 2,500 | 4,366 | (1,866) | - |
| Refunding bond issuance costs | - | - | - | 149,733 |
| Total expenditures | 1,831,269 | 1,833,135 | (1,866) | 2,017,438 |
| Excess (Deficiency) of Revenues over Expenditures | 202,731 | 161,383 | (41,348) | (21,635) |
| Other Financing Sources (Uses) | | | | |
| Refunding bonds issued | - | - | - | 7,285,000 |
| Payments to refunded bond escrow agent | - | - | - | (7,132,187) |
| Transfers | | | | |
| Transfers in | - | 650,000 | 650,000 | 671,000 |
| Transfers out | - | (750,000) | (750,000) | (671,000) |
| Total other financing sources (uses) | - | (100,000) | (100,000) | 152,813 |
| Net Change in Fund Balances | 202,731 | 61,383 | (141,348) | 131,178 |
| Fund Balances, Beginning of Year | 2,247,718 | 2,402,345 | 154,627 | 2,271,167 |
| Fund Balances, End of Year | \$ 2,450,449 | \$ 2,463,728 | \$ 13,279 | \$ 2,402,345 |

Nonmajor Capital Projects Funds

Recreation and Parks Funds (Districts 1, 2 and 3)

To provide for acquisition, improvement and expansion of public parks, playgrounds and recreation facilities within the City. Financing is provided by a residential park construction tax.

Road Fund

To provide for the maintenance, acquisition and construction of streets and roads related to capital assets. Financing is provided by an allocation of State shared revenues, right-of-way toll fees and franchise fees.

Capital Projects Fund

To provide for acquisition and construction of designated capital assets, except those financed by special sources or Proprietary Funds. Financing is provided by an allocation from other funds and tax supported bonds.

Capital Facilities Fund

To provide for the acquisition of land, improvements to land, purchase of major equipment, renovations of government facilities, and repayment of short-term financing for these activities. The City can use this fund for any of the above activities that they consider necessary.

Parks and Recreation Project Fund

To provide for specific park and recreation purposes. Financing is provided by a negotiated settlement from the Helms Pit lawsuit and franchise fees.

Local Improvement District 3 Fund

To account for monies deposited into the fund, from proceeds of special assessment bonds and from developer cash contributions, to be used to acquire infrastructure constructed by the Developer per an Acquisition Agreement.

Redevelopment Agency Area No. 1 Revolving Fund

To account for the resources used for financing the acquisition and construction of capital improvement projects and other necessary or incidental expenditures in accordance with a redevelopment plan for the Redevelopment Area No. 1. Financing is provided by tax supported bonds.

Redevelopment Agency Area No. 2 Revolving Fund

To account for the resources used for financing the acquisition and construction of capital improvement projects and other necessary or incidental expenditures in accordance with a redevelopment plan for the Redevelopment Area No. 2. Financing is to be provided by tax supported bonds, allocations from other funds, and grant revenues.

Victorian Square Room Tax Fund

To provide for specific capital improvements within Victorian Square. Financing is provided by tax proceeds on the rental of transient lodging within the City.

| | Recreation and Parks District 1 | Recreation and Parks District 2 | Recreation and Parks District 3 | Road | Capital Projects |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------|---------------------|
| Assets | | | | | |
| Cash and investments | \$ 417,592 | \$ 685,389 | \$ 1,446,633 | \$ 3,515,676 | \$ 1,193,289 |
| Accounts receivable | - | - | - | 562,080 | - |
| Notes receivable | - | - | - | - | - |
| Due from other governments | - | - | - | 394,720 | - |
| Total assets | <u>\$ 417,592</u> | <u>\$ 685,389</u> | <u>\$ 1,446,633</u> | <u>\$ 4,472,476</u> | <u>\$ 1,193,289</u> |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ 19,232 | \$ 74,803 |
| Accrued liabilities | - | - | - | 41,302 | - |
| Contracts payable | - | - | - | 495,476 | 3,377 |
| Contract retentions payable | - | - | - | 43,851 | 37,938 |
| Refundable deposits | - | - | - | - | - |
| Unearned Revenues | - | - | - | - | - |
| Due to other governments | - | - | - | 39,943 | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>639,804</u> | <u>116,118</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue – property taxes and other | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | |
| Restricted for | | | | | |
| Bond proceeds defined projects | - | - | - | - | - |
| Parks and recreation | 417,592 | 685,389 | 1,446,633 | - | - |
| Street improvements and rehabilitation | - | - | - | 3,832,672 | - |
| Capital projects | - | - | - | - | - |
| Developer agreements | - | - | - | - | - |
| Improvements to Victorian Square | - | - | - | - | - |
| Assigned for | | | | | |
| Specific capital projects | - | - | - | - | 246,696 |
| Next year's budget deficit | - | - | - | - | - |
| Other capital projects | - | - | - | - | 830,475 |
| Total fund balances | <u>417,592</u> | <u>685,389</u> | <u>1,446,633</u> | <u>3,832,672</u> | <u>1,077,171</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 417,592</u> | <u>\$ 685,389</u> | <u>\$ 1,446,633</u> | <u>\$ 4,472,476</u> | <u>\$ 1,193,289</u> |

City of Sparks, Nevada
Combining Balance Sheet – Nonmajor Capital Projects Funds
June 30, 2016

| Capital Facilities | Parks and Recreation Project | Local Improvement District 3 | Redevelopment Agency Area No. 1 Revolving | Redevelopment Agency Area No. 2 Revolving | Victorian Square Room Tax | Totals |
|-----------------------|------------------------------------|------------------------------------|---|---|---------------------------------|----------------------|
| \$ 482,759 | \$ 1,710,049 | \$ 459,110 | \$ 825,413 | \$ 208,139 | \$ 3,362,604 | \$ 14,306,653 |
| - | 210,510 | - | 1,250 | 4,617 | - | 778,457 |
| - | - | - | - | 1,300,000 | - | 1,300,000 |
| 2,315 | - | - | 130,835 | 27,661 | 77,244 | 632,775 |
| <u>\$ 485,074</u> | <u>\$ 1,920,559</u> | <u>\$ 459,110</u> | <u>\$ 957,498</u> | <u>\$ 1,540,417</u> | <u>\$ 3,439,848</u> | <u>\$ 17,017,885</u> |
| \$ 14,959 | \$ 21,756 | \$ 420 | \$ 1,174 | \$ 2,590 | \$ - | \$ 134,934 |
| - | 13,185 | - | 199 | - | - | 54,686 |
| 352 | 11,940 | - | - | - | - | 511,145 |
| - | - | - | - | - | - | 81,789 |
| - | 3,000 | - | - | - | - | 3,000 |
| - | 4,075 | - | 1,250 | 4,617 | - | 9,942 |
| - | 10,541 | - | 927 | - | - | 51,411 |
| <u>15,311</u> | <u>64,497</u> | <u>420</u> | <u>3,550</u> | <u>7,207</u> | <u>-</u> | <u>846,907</u> |
| - | - | - | 71,104 | 8,691 | - | 79,795 |
| - | - | 11,370 | - | - | - | 11,370 |
| - | 910,870 | - | - | - | - | 3,460,484 |
| - | - | - | - | - | - | 3,832,672 |
| 469,763 | - | - | - | 1,000,000 | - | 1,469,763 |
| - | - | 447,320 | - | - | - | 447,320 |
| - | - | - | - | - | 3,439,848 | 3,439,848 |
| - | 945,192 | - | - | - | - | 1,191,888 |
| - | - | - | - | 173,383 | - | 173,383 |
| - | - | - | 882,844 | 351,136 | - | 2,064,455 |
| <u>469,763</u> | <u>1,856,062</u> | <u>458,690</u> | <u>882,844</u> | <u>1,524,519</u> | <u>3,439,848</u> | <u>16,091,183</u> |
| <u>\$ 485,074</u> | <u>\$ 1,920,559</u> | <u>\$ 459,110</u> | <u>\$ 957,498</u> | <u>\$ 1,540,417</u> | <u>\$ 3,439,848</u> | <u>\$ 17,017,885</u> |

| | Recreation and Parks District 1 | Recreation and Parks District 2 | Recreation and Parks District 3 | Road | Capital Projects |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------|---------------------|
| Revenues | | | | | |
| Taxes | \$ 127,714 | \$ 57,000 | \$ 229,000 | \$ - | \$ - |
| Licenses and permits | - | - | - | 2,640,498 | - |
| Intergovernmental revenues | - | - | - | 2,244,970 | - |
| Charges for services | - | - | - | - | - |
| Miscellaneous | 2,848 | 13,505 | 167,717 | 59,055 | 14,184 |
| Total revenues | <u>130,562</u> | <u>70,505</u> | <u>396,717</u> | <u>4,944,523</u> | <u>14,184</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | 239,487 |
| Public safety | - | - | - | - | 88,624 |
| Public works | - | - | - | 3,106,171 | 12,401 |
| Culture and recreation | 19,303 | 240,334 | 10,629 | - | 2,410 |
| Community support | - | - | - | - | - |
| Total current | <u>19,303</u> | <u>240,334</u> | <u>10,629</u> | <u>3,106,171</u> | <u>342,922</u> |
| Capital outlay | | | | | |
| General government | - | - | - | - | 1,605,161 |
| Public safety | - | - | - | - | 81,658 |
| Public works | - | - | - | 3,103,478 | - |
| Culture and recreation | 13,106 | 56,484 | 64,950 | - | - |
| Total capital outlay | <u>13,106</u> | <u>56,484</u> | <u>64,950</u> | <u>3,103,478</u> | <u>1,686,819</u> |
| Total expenditures | <u>32,409</u> | <u>296,818</u> | <u>75,579</u> | <u>6,209,649</u> | <u>2,029,741</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>98,153</u> | <u>(226,313)</u> | <u>321,138</u> | <u>(1,265,126)</u> | <u>(2,015,557)</u> |
| Other Financing Sources (Uses) | | | | | |
| Capital asset sales | - | - | - | - | - |
| Transfers | | | | | |
| Transfers in | - | - | - | - | 1,871,589 |
| Transfer out | - | - | - | - | (206,057) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,665,532</u> |
| Net Change in Fund Balances | 98,153 | (226,313) | 321,138 | (1,265,126) | (350,025) |
| Fund Balances, Beginning of Year | <u>319,439</u> | <u>911,702</u> | <u>1,125,495</u> | <u>5,097,798</u> | <u>1,427,196</u> |
| Fund Balances, End of Year | <u>\$ 417,592</u> | <u>\$ 685,389</u> | <u>\$ 1,446,633</u> | <u>\$ 3,832,672</u> | <u>\$ 1,077,171</u> |

City of Sparks, Nevada
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Capital Projects Funds
Year Ended June 30, 2016

| Capital Facilities | Parks and Recreation Project | Local Improvement District 3 | Redevelopment Agency Area No. 1 Revolving | Redevelopment Agency Area No. 2 Revolving | Victorian Square Room Tax | Totals |
|-----------------------|------------------------------------|------------------------------------|---|---|---------------------------------|---------------|
| \$ - | \$ - | \$ - | \$ 216,875 | \$ 680,919 | \$ 807,314 | \$ 2,118,822 |
| - | 1,166,218 | - | - | - | - | 3,806,716 |
| 194,155 | - | - | - | - | - | 2,439,125 |
| - | 102,303 | - | - | - | - | 102,303 |
| 6,363 | 22,003 | 1,410 | 24,003 | 63,007 | 28,068 | 402,163 |
| 200,518 | 1,290,524 | 1,410 | 240,878 | 743,926 | 835,382 | 8,869,129 |
| 10,800 | - | - | (1,164) | - | - | 249,123 |
| 18,880 | - | - | - | - | - | 107,504 |
| - | - | - | - | - | - | 3,118,572 |
| - | 811,333 | - | - | - | - | 1,084,009 |
| - | - | 694,274 | 238,001 | 14,782 | 17,985 | 965,042 |
| 29,680 | 811,333 | 694,274 | 236,837 | 14,782 | 17,985 | 5,524,250 |
| 544 | - | - | - | - | - | 1,605,705 |
| 99,653 | - | - | - | - | - | 181,311 |
| - | - | - | - | - | - | 3,103,478 |
| - | 102,302 | - | - | - | - | 236,842 |
| 100,197 | 102,302 | - | - | - | - | 5,127,336 |
| 129,877 | 913,635 | 694,274 | 236,837 | 14,782 | 17,985 | 10,651,586 |
| 70,641 | 376,889 | (692,864) | 4,041 | 729,144 | 817,397 | (1,782,457) |
| - | - | - | 934,000 | - | - | 934,000 |
| - | - | - | 168,000 | 750,000 | - | 2,789,589 |
| - | - | - | (459,695) | (1,723,725) | - | (2,389,477) |
| - | - | - | 642,305 | (973,725) | - | 1,334,112 |
| 70,641 | 376,889 | (692,864) | 646,346 | (244,581) | 817,397 | (448,345) |
| 399,122 | 1,479,173 | 1,151,554 | 236,498 | 1,769,100 | 2,622,451 | 16,539,528 |
| \$ 469,763 | \$ 1,856,062 | \$ 458,690 | \$ 882,844 | \$ 1,524,519 | \$ 3,439,848 | \$ 16,091,183 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation and Parks District 1 Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|-----------------------------------|-------------------|-------------------|------------------|-------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Residential park construction tax | \$ 86,000 | \$ 127,714 | \$ 41,714 | \$ 112,000 |
| Miscellaneous | | | | |
| Investment income (loss) | 1,000 | 2,848 | 1,848 | 1,134 |
| Total revenues | 87,000 | 130,562 | 43,562 | 113,134 |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 20 | - | 20 | - |
| Culture and recreation | | | | |
| Services and supplies | 24,404 | 19,303 | 5,101 | - |
| Capital outlay | 25,596 | 13,106 | 12,490 | 50,000 |
| Total culture and recreation | 50,000 | 32,409 | 17,591 | 50,000 |
| Total expenditures | 50,020 | 32,409 | 17,611 | 50,000 |
| Net Change in Fund Balances | 36,980 | 98,153 | 61,173 | 63,134 |
| Fund Balances, Beginning of Year | 282,306 | 319,439 | 37,133 | 256,305 |
| Fund Balances, End of Year | <u>\$ 319,286</u> | <u>\$ 417,592</u> | <u>\$ 98,306</u> | <u>\$ 319,439</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Recreation and Parks District 2 Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|-----------------------------------|-----------------|------------|-------------|------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Residential park construction tax | \$ 111,829 | \$ 57,000 | \$ (54,829) | \$ 124,000 |
| Miscellaneous | | | | |
| Investment income (loss) | 5,000 | 13,505 | 8,505 | 6,996 |
| Total revenues | 116,829 | 70,505 | (46,324) | 130,996 |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 250 | - | 250 | - |
| Culture and recreation | | | | |
| Services and supplies | 272,680 | 240,334 | 32,346 | 9,210 |
| Capital outlay | 165,320 | 56,484 | 108,836 | 220,279 |
| Total culture and recreation | 438,000 | 296,818 | 141,182 | 229,489 |
| Total expenditures | 438,250 | 296,818 | 141,432 | 229,489 |
| Net Change in Fund Balances | (321,421) | (226,313) | 95,108 | (98,493) |
| Fund Balances, Beginning of Year | 1,091,769 | 911,702 | (180,067) | 1,010,195 |
| Fund Balances, End of Year | \$ 770,348 | \$ 685,389 | \$ (84,959) | \$ 911,702 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual

Recreation and Parks District 3 Fund

Year Ended June 30, 2016

(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|-----------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Residential park construction tax | \$ 156,616 | \$ 229,000 | \$ 72,384 | \$ 198,000 |
| Miscellaneous | | | | |
| Recoveries and reimbursements | - | 150,000 | 150,000 | 50,000 |
| Investment income (loss) | 6,000 | 17,717 | 11,717 | 7,630 |
| Total revenues | <u>162,616</u> | <u>396,717</u> | <u>234,101</u> | <u>255,630</u> |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 200 | - | 200 | - |
| Culture and recreation | | | | |
| Services and supplies | 6,860 | 10,629 | (3,769) | 156,047 |
| Capital outlay | 251,940 | 64,950 | 186,990 | 7,400 |
| Total culture and recreation | <u>258,800</u> | <u>75,579</u> | <u>183,221</u> | <u>163,447</u> |
| Total expenditures | <u>259,000</u> | <u>75,579</u> | <u>183,421</u> | <u>163,447</u> |
| Net Change in Fund Balances | (96,384) | 321,138 | 417,522 | 92,183 |
| Fund Balances, Beginning of Year | <u>854,130</u> | <u>1,125,495</u> | <u>271,365</u> | <u>1,033,312</u> |
| Fund Balances, End of Year | <u>\$ 757,746</u> | <u>\$ 1,446,633</u> | <u>\$ 688,887</u> | <u>\$ 1,125,495</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Road Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Licenses and permits | | | | |
| Right of way toll fees | \$ 709,810 | \$ 610,924 | \$ (98,886) | \$ 678,087 |
| Electric franchise fees | 1,632,000 | 1,444,639 | (187,361) | 1,565,868 |
| Gas franchise fees | 613,600 | 584,935 | (28,665) | 624,801 |
| Intergovernmental revenues | | | | |
| State shared revenues | | | | |
| Motor vehicle fuel tax | 2,070,871 | 2,244,970 | 174,099 | 2,064,923 |
| Miscellaneous | | | | |
| Investment income (loss) | 35,000 | 59,055 | 24,055 | 27,306 |
| Total revenues | <u>5,061,281</u> | <u>4,944,523</u> | <u>(116,758)</u> | <u>4,960,985</u> |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 800 | - | 800 | - |
| Public works | | | | |
| Salaries and wages | 1,106,762 | 1,109,449 | (2,687) | 1,049,480 |
| Employee benefits | 686,364 | 678,964 | 7,400 | 566,983 |
| Services and supplies | 1,555,327 | 1,317,758 | 237,569 | 1,470,245 |
| Capital outlay | 4,379,320 | 3,103,478 | 1,275,842 | 1,513,221 |
| Total public works | <u>7,727,773</u> | <u>6,209,649</u> | <u>1,518,124</u> | <u>4,599,929</u> |
| Total expenditures | <u>7,728,573</u> | <u>6,209,649</u> | <u>1,518,924</u> | <u>4,599,929</u> |
| Net Change in Fund Balances | (2,667,292) | (1,265,126) | 1,402,166 | 361,056 |
| Fund Balances, Beginning of Year | <u>4,921,554</u> | <u>5,097,798</u> | <u>176,244</u> | <u>4,736,742</u> |
| Fund Balances, End of Year | <u>\$ 2,254,262</u> | <u>\$ 3,832,672</u> | <u>\$ 1,578,410</u> | <u>\$ 5,097,798</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Capital Projects Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|-----------------|--------------|------------|--------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Miscellaneous | | | | |
| Investment income | \$ 8,500 | \$ 14,184 | \$ 5,684 | \$ 6,687 |
| Rebates | - | - | - | 898 |
| Total revenues | 8,500 | 14,184 | 5,684 | 7,585 |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 392,861 | 239,487 | 153,374 | 393,983 |
| Capital outlay | 1,964,278 | 1,605,161 | 359,117 | 1,179,313 |
| Total general government | 2,357,139 | 1,844,648 | 512,491 | 1,573,296 |
| Public safety | | | | |
| Services and supplies | 144,001 | 88,624 | 55,377 | 34,844 |
| Capital outlay | 208,805 | 81,658 | 127,147 | - |
| Total public safety | 352,806 | 170,282 | 182,524 | 34,844 |
| Public works | | | | |
| Services and supplies | 39,000 | 12,401 | 26,599 | 17,670 |
| Culture and recreation | | | | |
| Services and supplies | 14,000 | 2,410 | 11,590 | 141 |
| Capital outlay | - | - | - | 219,518 |
| Total culture and recreation | 14,000 | 2,410 | 11,590 | 219,659 |
| Total expenditures | 2,762,945 | 2,029,741 | 733,204 | 1,845,469 |
| Excess (Deficiency) of Revenues over Expenditures | (2,754,445) | (2,015,557) | 738,888 | (1,837,884) |
| Other Financing Sources (Uses) | | | | |
| Transfers | | | | |
| Transfers in | 1,871,589 | 1,871,589 | - | 902,000 |
| Transfers out | (204,624) | (206,057) | (1,433) | (694,986) |
| Total other financing sources (uses) | 1,666,965 | 1,665,532 | (1,433) | 207,014 |
| Net Change in Fund Balances | (1,087,480) | (350,025) | 737,455 | (1,630,870) |
| Fund Balances, Beginning of Year | 1,530,423 | 1,427,196 | (103,227) | 3,058,066 |
| Fund Balances, End of Year | \$ 442,943 | \$ 1,077,171 | \$ 634,228 | \$ 1,427,196 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Capital Facilities Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|----------------------------------|-----------------|------------|------------|------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Intergovernmental revenues | | | | |
| County ad valorem taxes | \$ 186,761 | \$ 194,155 | \$ 7,394 | \$ 180,688 |
| Miscellaneous | | | | |
| Investment income | 2,000 | 6,363 | 4,363 | 2,611 |
| Total revenues | 188,761 | 200,518 | 11,757 | 183,299 |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 70,517 | 10,800 | 59,717 | 73,224 |
| Capital outlay | 28,450 | 544 | 27,906 | 8,195 |
| Total general government | 98,967 | 11,344 | 87,623 | 81,419 |
| Public safety | | | | |
| Services and supplies | 85,000 | 18,880 | 66,120 | 29,286 |
| Capital outlay | 100,000 | 99,653 | 347 | - |
| Total public safety | 185,000 | 118,533 | 66,467 | 29,286 |
| Total expenditures | 283,967 | 129,877 | 154,090 | 110,705 |
| Net Change in Fund Balances | (95,206) | 70,641 | 165,847 | 72,594 |
| Fund Balances, Beginning of Year | 370,332 | 399,122 | 28,790 | 326,528 |
| Fund Balances, End of Year | \$ 275,126 | \$ 469,763 | \$ 194,637 | \$ 399,122 |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Parks and Recreation Project Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|---------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Licenses and permits | | | | |
| Concession franchise fees | \$ 99,996 | \$ 99,996 | \$ - | \$ 91,663 |
| Electric franchise fees | 816,000 | 722,320 | (93,680) | 782,935 |
| Gas franchise fees | 306,800 | 292,467 | (14,333) | 312,400 |
| Park fees | 50,000 | 51,435 | 1,435 | 48,195 |
| Charges for services | | | | |
| Other | 77,000 | 102,303 | 25,303 | 97,413 |
| Miscellaneous | | | | |
| Investment income | 6,500 | 22,003 | 15,503 | 10,655 |
| Total revenues | <u>1,356,296</u> | <u>1,290,524</u> | <u>(65,772)</u> | <u>1,343,261</u> |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 100 | - | 100 | - |
| Culture and recreation | | | | |
| Salaries and wages | 241,817 | 260,658 | (18,841) | 241,559 |
| Employee benefits | 125,092 | 129,981 | (4,889) | 110,132 |
| Services and supplies | 824,951 | 420,694 | 404,257 | 338,919 |
| Capital outlay | 653,076 | 102,302 | 550,774 | 779,324 |
| Total culture and recreation | <u>1,844,936</u> | <u>913,635</u> | <u>931,301</u> | <u>1,469,934</u> |
| Total expenditures | <u>1,845,036</u> | <u>913,635</u> | <u>931,401</u> | <u>1,469,934</u> |
| Net Change in Fund Balances | (488,740) | 376,889 | 865,629 | (126,673) |
| Fund Balance, Beginning of Year | <u>1,455,996</u> | <u>1,479,173</u> | <u>23,177</u> | <u>1,605,846</u> |
| Fund Balances, End of Year | <u>\$ 967,256</u> | <u>\$ 1,856,062</u> | <u>\$ 888,806</u> | <u>\$ 1,479,173</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Local Improvement District 3 Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|----------------------------------|-----------------------------|-------------------------------|-------------------------------|--------------------------------|
| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> | |
| Revenues | | | | |
| Miscellaneous | | | | |
| Investment income | <u>\$ 425</u> | <u>\$ 1,410</u> | <u>\$ 985</u> | <u>\$ 379</u> |
| Expenditures | | | | |
| Community support | | | | |
| Services and supplies | <u>1,148,785</u> | <u>694,274</u> | <u>454,511</u> | <u>1,758</u> |
| Net Change in Fund Balances | <u>(1,148,360)</u> | <u>(692,864)</u> | <u>455,496</u> | <u>(1,379)</u> |
| Fund Balances, Beginning of Year | <u>1,148,360</u> | <u>1,151,554</u> | <u>3,194</u> | <u>1,152,933</u> |
| Fund Balances, End of Year | <u><u>\$ -</u></u> | <u><u>\$ 458,690</u></u> | <u><u>\$ 458,690</u></u> | <u><u>\$ 1,151,554</u></u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Redevelopment Agency Area No. 1 Revolving Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|-------------------|-------------------|---------------------|-------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 248,145 | \$ 216,875 | \$ (31,270) | \$ 129,612 |
| Charges for services | | | | |
| Other | - | - | - | - |
| Miscellaneous | | | | |
| Investment income (loss) | 3,000 | 9,003 | 6,003 | 2,914 |
| Property rentals | 15,000 | 15,000 | - | 15,000 |
| Total revenues | <u>266,145</u> | <u>240,878</u> | <u>(25,267)</u> | <u>147,526</u> |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 760 | (1,164) | 1,924 | 185 |
| Community support | | | | |
| Salaries and wages | 12,196 | 12,643 | (447) | 12,241 |
| Employee benefits | 6,736 | 6,875 | (139) | 6,015 |
| Services and supplies | 247,326 | 218,483 | 28,843 | 57,974 |
| Total community support | <u>266,258</u> | <u>238,001</u> | <u>28,257</u> | <u>76,230</u> |
| Total expenditures | <u>267,018</u> | <u>236,837</u> | <u>30,181</u> | <u>76,415</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(873)</u> | <u>4,041</u> | <u>4,914</u> | <u>71,111</u> |
| Other Financing Sources (Uses) | | | | |
| Capital asset sales | 1,204,000 | 934,000 | (270,000) | - |
| Transfers | | | | |
| Transfers in | - | 168,000 | 168,000 | 15,000 |
| Transfers out | (291,695) | (459,695) | (168,000) | (306,316) |
| Total other financing sources (uses) | <u>912,305</u> | <u>642,305</u> | <u>(270,000)</u> | <u>(291,316)</u> |
| Net Change in Fund Balances | 911,432 | 646,346 | (265,086) | (220,205) |
| Fund Balances, Beginning of Year | <u>75,534</u> | <u>236,498</u> | <u>160,964</u> | <u>456,703</u> |
| Fund Balances, End of Year | <u>\$ 986,966</u> | <u>\$ 882,844</u> | <u>\$ (104,122)</u> | <u>\$ 236,498</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Redevelopment Agency Area No. 2 Revolving Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|--|---------------------|---------------------|-------------------|---------------------|
| | Final Budget | Actual | Variance | 2015 |
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem | \$ 699,325 | \$ 680,919 | \$ (18,406) | \$ 592,082 |
| Charges for services | | | | |
| Other | - | - | - | 10,000 |
| Miscellaneous | | | | |
| Investment income (loss) | 62,000 | 63,007 | 1,007 | 32,773 |
| Other | - | - | - | 13,428 |
| Total revenues | <u>761,325</u> | <u>743,926</u> | <u>(17,399)</u> | <u>648,283</u> |
| Expenditures | | | | |
| Community support | | | | |
| Services and supplies | <u>50,500</u> | <u>14,782</u> | <u>35,718</u> | <u>35,727</u> |
| Debt service | | | | |
| Fiscal charges and other | <u>-</u> | <u>-</u> | <u>-</u> | <u>60,082</u> |
| Total expenditures | <u>50,500</u> | <u>14,782</u> | <u>35,718</u> | <u>95,809</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>710,825</u> | <u>729,144</u> | <u>18,319</u> | <u>552,474</u> |
| Other Financing Sources (Uses) | | | | |
| Capital asset sales | - | - | - | 2,150,000 |
| Transfers | | | | |
| Transfers in | - | 750,000 | 750,000 | 671,000 |
| Transfers out | <u>(1,073,725)</u> | <u>(1,723,725)</u> | <u>(650,000)</u> | <u>(1,743,899)</u> |
| Total other financing sources (uses) | <u>(1,073,725)</u> | <u>(973,725)</u> | <u>100,000</u> | <u>1,077,101</u> |
| Net Change in Fund Balances | (362,900) | (244,581) | 118,319 | 1,629,575 |
| Fund Balances, Beginning of Year | <u>1,732,897</u> | <u>1,769,100</u> | <u>36,203</u> | <u>139,525</u> |
| Fund Balances, End of Year | <u>\$ 1,369,997</u> | <u>\$ 1,524,519</u> | <u>\$ 154,522</u> | <u>\$ 1,769,100</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Victorian Square Room Tax Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|----------------------------------|-----------------|--------------|------------|--------------|
| | Final Budget | Actual | Variance | |
| Revenues | | | | |
| Taxes | | | | |
| Room tax | \$ 693,000 | \$ 807,314 | \$ 114,314 | \$ 692,814 |
| Miscellaneous | | | | |
| Investment income (loss) | 12,000 | 28,068 | 16,068 | 16,954 |
| Total revenues | 705,000 | 835,382 | 130,382 | 709,768 |
| Expenditures | | | | |
| General government | | | | |
| Services and supplies | 250 | - | 250 | - |
| Community support | | | | |
| Services and supplies | 225,000 | 17,985 | 207,015 | - |
| Capital outlay | 209,404 | - | 209,404 | - |
| Total community support | 434,404 | 17,985 | 416,419 | - |
| Total expenditures | 434,654 | 17,985 | 416,669 | - |
| Net Change in Fund Balances | 270,346 | 817,397 | 547,051 | 709,768 |
| Fund Balances, Beginning of Year | 2,619,086 | 2,622,451 | 3,365 | 1,912,683 |
| Fund Balances, End of Year | \$ 2,889,432 | \$ 3,439,848 | \$ 550,416 | \$ 2,622,451 |

Major Enterprise Fund

Sewer Operations Fund

To account for the provision of sewer services to the residents of the City and some residents of Washoe County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

Nonmajor Enterprise Fund

Development Services Fund

To account for the issuance of building permits and other fees designated to finance building and development of the City.

City of Sparks, Nevada
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Sewer Operations Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|---|-----------------------|-----------------------|---------------------|---------------------|
| | Final Budget | Actual | Variance | 2015 |
| Operating Revenues | | | | |
| Licenses and permits | | | | |
| Miscellaneous | \$ 231,264 | \$ 204,102 | \$ (27,162) | \$ 228,039 |
| Charges for services | | | | |
| Sewer charges | 22,853,252 | 22,654,361 | (198,891) | 21,728,469 |
| Miscellaneous | 150,021 | 158,261 | 8,240 | 157,884 |
| Total operating revenues | <u>23,234,537</u> | <u>23,016,724</u> | <u>(217,813)</u> | <u>22,114,392</u> |
| Operating Expenses | | | | |
| Salaries and wages | 2,709,609 | 2,718,138 | (8,529) | 2,261,625 |
| Employee benefits | 1,591,172 | 1,418,539 | 172,633 | 1,264,389 |
| Services and supplies | 14,551,550 | 10,246,203 | 4,305,347 | 9,908,155 |
| Depreciation | 6,073,882 | 6,257,066 | (183,184) | 6,029,968 |
| Net loss from Truckee Meadows Water Reclamation Facility | 2,003,619 | 1,904,529 | 99,090 | 1,982,905 |
| Total operating expenses | <u>26,929,832</u> | <u>22,544,475</u> | <u>4,385,357</u> | <u>21,447,042</u> |
| Operating Income (Loss) | <u>(3,695,295)</u> | <u>472,249</u> | <u>4,167,544</u> | <u>667,350</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income | 230,840 | 440,778 | 209,938 | 231,925 |
| Interest expense | (1,097,059) | (1,117,724) | (20,665) | (1,163,666) |
| Miscellaneous | - | (2,965) | (2,965) | (7,865) |
| Gain (loss) on disposition of assets | - | (29,301) | (29,301) | (21,888) |
| Bond issuance costs | - | (238,687) | (238,687) | - |
| Total nonoperating revenue (expenses) | <u>(866,219)</u> | <u>(947,899)</u> | <u>(81,680)</u> | <u>(961,494)</u> |
| Income (Loss) Before Capital Contributions and Transfers | <u>(4,561,514)</u> | <u>(475,650)</u> | <u>4,085,864</u> | <u>(294,144)</u> |
| Capital Contributions | | | | |
| Contributions from other governments | - | - | - | 1 |
| Sewer connection fees | 2,813,999 | 4,441,545 | 1,627,546 | 3,761,171 |
| Sewer lines and storm drains | - | 2,049,205 | 2,049,205 | 1,748,748 |
| Total capital contributions | <u>2,813,999</u> | <u>6,490,750</u> | <u>3,676,751</u> | <u>5,509,920</u> |
| Transfers | | | | |
| Transfers in | 80,500 | 112,484 | 31,984 | 89,987 |
| Transfers out | (3,913) | (37,414) | (33,501) | (77,488) |
| Total transfers | <u>76,587</u> | <u>75,070</u> | <u>(1,517)</u> | <u>12,499</u> |
| Change in Net Position | <u>\$ (1,670,928)</u> | <u>6,090,170</u> | <u>\$ 7,761,098</u> | <u>\$ 5,228,275</u> |
| Net Position, Beginning of Year, as Originally Reported | | 186,698,556 | | |
| Prior Period Adjustment | | <u>1,806,072</u> | | |
| Net Position, Beginning of Year | | <u>188,504,628</u> | | |
| Net Position, End of Year | | <u>\$ 194,594,798</u> | | |

City of Sparks, Nevada
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Development Services Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | |
|---|--------------------|---------------------|---------------------|-------------------|
| | Final Budget | Actual | Variance | 2015 |
| Operating Revenues | | | | |
| Licenses and permits | | | | |
| Building permits | \$ 1,545,883 | \$ 2,111,394 | \$ 565,511 | \$ 1,674,238 |
| Other | 14,196 | 23,379 | 9,183 | 14,517 |
| Charges for services | | | | |
| Building and zoning fees | 1,097,167 | 1,556,205 | 459,038 | 1,226,240 |
| Other | 420,731 | 462,141 | 41,410 | 351,878 |
| Total operating revenues | <u>3,077,977</u> | <u>4,153,119</u> | <u>1,075,142</u> | <u>3,266,873</u> |
| Operating Expenses | | | | |
| Salaries and wages | 1,262,726 | 1,354,056 | (91,330) | 786,795 |
| Employee benefits | 677,195 | 503,796 | 173,399 | 403,942 |
| Services and supplies | 1,142,445 | 999,018 | 143,427 | 816,874 |
| Total operating expenses | <u>3,082,366</u> | <u>2,856,870</u> | <u>225,496</u> | <u>2,007,611</u> |
| Operating Income (Loss) | <u>(4,389)</u> | <u>1,296,249</u> | <u>1,300,638</u> | <u>1,259,262</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | 10,000 | 52,896 | 42,896 | 14,649 |
| Miscellaneous | 576 | 143 | (433) | 5,237 |
| Total nonoperating revenues (expenses) | <u>10,576</u> | <u>53,039</u> | <u>42,463</u> | <u>19,886</u> |
| Income (Loss) Before Transfers | 6,187 | 1,349,288 | 1,343,101 | 1,279,148 |
| Transfers | | | | |
| Transfers out | <u>(23,476)</u> | <u>(128,117)</u> | <u>(104,641)</u> | <u>(727,445)</u> |
| Change in Net Position | <u>\$ (17,289)</u> | 1,221,171 | <u>\$ 1,238,460</u> | <u>\$ 551,703</u> |
| Net Position, Beginning of Year | | <u>578,288</u> | | |
| Net Position, End of Year | | <u>\$ 1,799,459</u> | | |

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Internal Service Funds

Motor Vehicle Maintenance Fund

To account for the costs of acquisition of vehicles and for operating a maintenance facility for the vehicles and related equipment used by City departments. Such costs are billed to the user departments and include depreciation on vehicles and equipment.

Group Insurance Self-Insurance Fund

To account for the operations of the group health and accident insurance program covering City employees.

Workers' Compensation Insurance Fund

To account for money received from other City funds for workers' compensation claims, compensating injured workers, and the cost of administering a self-funded insurance program.

Municipal Self-Insurance Fund

To account for monies received from insurance claims and other sources to cover the costs to repair and replace damaged real and personal property owned by the City and to cover uninsured claims.

| | Motor Vehicle Maintenance | Group Insurance Self-Insurance | Workers' Compensation Insurance |
|--|---------------------------------|--------------------------------------|---------------------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and investments | \$ 3,003,221 | \$ 1,263,745 | \$ 3,908,036 |
| Accounts receivable | 6,265 | 38,689 | - |
| Due from other governments | - | - | 72,672 |
| Deposits | - | 16,027 | 10,000 |
| Inventory of supplies | 232,720 | - | - |
| Total current assets | <u>3,242,206</u> | <u>1,318,461</u> | <u>3,990,708</u> |
| Noncurrent assets | | | |
| Net other post-employment benefit asset | 371 | - | - |
| Capital assets | | | |
| Construction in progress | 1,572,931 | - | - |
| Buildings | 451,019 | - | - |
| Site improvements | 245,445 | - | - |
| Machinery and equipment | 23,887,198 | - | - |
| Less accumulated depreciation | 17,552,898 | - | - |
| Total noncurrent assets | <u>8,604,066</u> | <u>-</u> | <u>-</u> |
| Total assets | <u>11,846,272</u> | <u>1,318,461</u> | <u>3,990,708</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | <u>164,750</u> | <u>-</u> | <u>-</u> |
| Total assets and deferred outflows of resources | <u>12,011,022</u> | <u>1,318,461</u> | <u>3,990,708</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 238,713 | 1,760 | 12,337 |
| Accrued liabilities | 26,453 | (9,038) | - |
| Contracts payable | - | - | - |
| Unearned revenues | - | 40,208 | - |
| Due to other governments | 23,644 | - | - |
| Current portion of long-term liabilities | 63,883 | 1,094,053 | 976,070 |
| Total current liabilities | <u>352,693</u> | <u>1,126,983</u> | <u>988,407</u> |
| Long-term liabilities | | | |
| Compensated absences (net of current portion) | 124,358 | - | - |
| Other post employment benefits | 34,515 | - | - |
| Sick leave conversion payable (net of current portion) | 26,950 | - | - |
| Claims liabilities (net of current portion) | - | - | 6,190,050 |
| Net pension obligation | 878,527 | - | - |
| Total long-term liabilities | <u>1,064,350</u> | <u>-</u> | <u>6,190,050</u> |
| Total liabilities | <u>1,417,043</u> | <u>1,126,983</u> | <u>7,178,457</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | <u>141,350</u> | <u>-</u> | <u>-</u> |
| Total liabilities and deferred inflows of resources | <u>1,558,393</u> | <u>1,126,983</u> | <u>7,178,457</u> |
| Net Position | | | |
| Net investment in capital assets | 8,603,695 | - | - |
| Restricted for claims | - | 191,478 | - |
| Unrestricted | 1,848,934 | - | (3,187,749) |
| Total net position | <u>\$ 10,452,629</u> | <u>\$ 191,478</u> | <u>\$ (3,187,749)</u> |

City of Sparks, Nevada
Combining Statement of Net Position – Internal Service Funds
June 30, 2016

| Municipal Self-Insurance | Totals |
|-----------------------------|---------------------|
| \$ 375,426 | \$ 8,550,428 |
| 11,046 | 56,000 |
| - | 72,672 |
| - | 26,027 |
| - | 232,720 |
| <u>386,472</u> | <u>8,937,847</u> |
| - | 371 |
| - | 1,572,931 |
| - | 451,019 |
| - | 245,445 |
| - | 23,887,198 |
| - | 17,552,898 |
| <u>-</u> | <u>8,604,066</u> |
| <u>386,472</u> | <u>17,541,913</u> |
| - | 164,750 |
| <u>386,472</u> | <u>17,706,663</u> |
| 321,967 | 574,777 |
| - | 17,415 |
| 11,250 | 11,250 |
| - | 40,208 |
| 81,746 | 105,390 |
| - | 2,134,006 |
| <u>414,963</u> | <u>2,883,046</u> |
| - | 124,358 |
| - | 34,515 |
| - | 26,950 |
| - | 6,190,050 |
| - | 878,527 |
| <u>-</u> | <u>7,254,400</u> |
| <u>414,963</u> | <u>10,137,446</u> |
| - | 141,350 |
| <u>414,963</u> | <u>10,278,796</u> |
| - | 8,603,695 |
| - | 191,478 |
| <u>(28,491)</u> | <u>(1,367,306)</u> |
| <u>\$ (28,491)</u> | <u>\$ 7,427,867</u> |

| | Motor Vehicle Maintenance | Group Insurance Self-Insurance | Workers' Compensation Insurance |
|---|---------------------------------|--------------------------------------|---------------------------------------|
| Operating Revenues | | | |
| Charges for services | \$ 3,664,055 | \$ 11,021,101 | \$ 312,634 |
| Miscellaneous | 37,648 | 40,414 | 31,635 |
| Total operating revenues | 3,701,703 | 11,061,515 | 344,269 |
| Operating Expenses | | | |
| Salaries and wages | 565,784 | - | - |
| Employee benefits | 296,841 | - | - |
| Services and supplies | 1,348,629 | 10,431,797 | 1,729,469 |
| Depreciation | 1,038,434 | - | - |
| Total operating expenses | 3,249,688 | 10,431,797 | 1,729,469 |
| Operating Income (Loss) | 452,015 | 629,718 | (1,385,200) |
| Nonoperating Revenues (Expenses) | | | |
| Investment income (loss) | 37,052 | 9,059 | 81,124 |
| Interest expense | (1,139) | - | - |
| Gain on disposition of assets | 34,617 | - | - |
| Total nonoperating revenues (expenses) | 70,530 | 9,059 | 81,124 |
| Income (Loss) Before Capital Contributions and Transfers | 522,545 | 638,777 | (1,304,076) |
| Capital Contributions | | | |
| Grants | 260,000 | - | - |
| Transfers | | | |
| Transfers in | 1,063,006 | - | - |
| Transfers out | - | - | - |
| | 1,063,006 | - | - |
| Change in Net Position | 1,845,551 | 638,777 | (1,304,076) |
| Net Position, Beginning of Year, as Originally Reported | 8,607,078 | (447,299) | (1,025,862) |
| Prior Period Adjustment | - | - | (857,811) |
| Net Position, Beginning of Year, as Restated | 8,607,078 | (447,299) | (1,883,673) |
| Net Position, End of Year | \$ 10,452,629 | \$ 191,478 | \$ (3,187,749) |

City of Sparks, Nevada

Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds

Year Ended June 30, 2016

| Municipal Self-Insurance | Totals |
|-----------------------------|---------------------|
| \$ 345,692 | \$ 15,343,482 |
| 27,538 | 137,235 |
| <u>373,230</u> | <u>15,480,717</u> |
| - | 565,784 |
| - | 296,841 |
| 912,457 | 14,422,352 |
| <u>-</u> | <u>1,038,434</u> |
| <u>912,457</u> | <u>16,323,411</u> |
| <u>(539,227)</u> | <u>(842,694)</u> |
| 9,246 | 136,481 |
| - | (1,139) |
| <u>-</u> | <u>34,617</u> |
| <u>9,246</u> | <u>169,959</u> |
| <u>(529,981)</u> | <u>(672,735)</u> |
| <u>-</u> | <u>260,000</u> |
| - | 1,063,006 |
| <u>(334,871)</u> | <u>(334,871)</u> |
| <u>(334,871)</u> | <u>728,135</u> |
| <u>(864,852)</u> | <u>315,400</u> |
| 836,361 | 7,970,278 |
| <u>-</u> | <u>(857,811)</u> |
| <u>836,361</u> | <u>7,112,467</u> |
| <u>\$ (28,491)</u> | <u>\$ 7,427,867</u> |

| | Motor Vehicle Maintenance | Group Insurance Self-Insurance | Workers' Compensation Insurance |
|---|---------------------------------|--------------------------------------|---------------------------------------|
| Operating Activities | | | |
| Cash received from customers and users | \$ 37,978 | \$ 2,320,982 | \$ 278,818 |
| Cash received from interfund services provided | 3,664,056 | 8,685,364 | - |
| Cash received from reimbursements of insurance claims | - | 40,414 | - |
| Cash paid to employees | (831,029) | - | - |
| Cash paid to suppliers | (1,116,868) | (10,419,876) | (1,500,390) |
| Net Cash from (used for) Operating Activities | 1,754,137 | 626,884 | (1,221,572) |
| Noncapital Financing Activities | | | |
| Transfers in | 589,993 | - | - |
| Transfers out | - | - | - |
| Net Cash from (used for) Noncapital Financing Activities | 589,993 | - | - |
| Capital and Related Financing Activities | | | |
| Principal payments on capital lease obligations | (171,670) | - | - |
| Interest expense on capital lease obligations | (9,115) | - | - |
| Proceeds from sale of capital assets | 58,140 | - | - |
| Acquisition of capital assets | (1,566,249) | - | - |
| Net Cash used for Capital and Related Financing Activities | (1,688,894) | - | - |
| Investing Activities | | | |
| Investment income (loss) | 37,052 | 9,059 | 81,124 |
| Net Change in Cash and Cash Equivalents | 692,288 | 635,943 | (1,140,448) |
| Cash and Cash Equivalents, Beginning of Year | 2,310,933 | 627,802 | 5,048,484 |
| Cash and Cash Equivalents, End of Year | \$ 3,003,221 | \$ 1,263,745 | \$ 3,908,036 |

City of Sparks, Nevada
Combining Statement of Cash Flows – Internal Service Funds
Year Ended June 30, 2016

| Municipal Self-Insurance | Totals |
|-----------------------------|---------------------|
| \$ 98,927 | \$ 2,736,705 |
| 345,692 | 12,695,112 |
| - | 40,414 |
| - | (831,029) |
| <u>(1,070,361)</u> | <u>(14,107,495)</u> |
| <u>(625,742)</u> | <u>533,707</u> |
| - | 589,993 |
| <u>(334,871)</u> | <u>(334,871)</u> |
| <u>(334,871)</u> | <u>255,122</u> |
| - | (171,670) |
| - | (9,115) |
| - | 58,140 |
| <u>-</u> | <u>(1,566,249)</u> |
| <u>-</u> | <u>(1,688,894)</u> |
| <u>9,246</u> | <u>136,481</u> |
| (951,367) | (763,584) |
| <u>1,326,793</u> | <u>9,314,012</u> |
| <u>\$ 375,426</u> | <u>\$ 8,550,428</u> |

| | Motor Vehicle Maintenance | Group Insurance Self-Insurance | Workers' Compensation Insurance |
|--|---------------------------------|--------------------------------------|---------------------------------------|
| Reconciliation of operating income (loss) to net cash from (used for) operating activities | | | |
| Operating income (loss) | \$ 452,015 | \$ 629,718 | \$ (1,385,200) |
| Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities | | | |
| Depreciation | 1,038,434 | - | - |
| Pension expense | 112,527 | - | - |
| Pension contributions | (149,960) | - | - |
| Changes in | | | |
| Accounts receivable | 330 | (14,755) | 7,221 |
| Due from other governments | - | - | (72,672) |
| Deposits | - | (9,946) | - |
| Inventory of supplies | 55,032 | - | - |
| Accounts payable | 171,592 | (46,570) | 12,337 |
| Accrued liabilities | 7,607 | (10,628) | - |
| Compensated absences | 58,646 | - | - |
| Net OPEB obligation | 2,713 | - | - |
| Net OPEB asset | 64 | - | - |
| Contracts payable | - | - | - |
| Unearned revenue | - | 9,947 | - |
| Due to other governments | 5,137 | (297) | - |
| Claims liabilities | - | 69,415 | 216,742 |
| Total Adjustments | 1,302,122 | (2,834) | 163,628 |
| Net Cash from (used for) Operating Activities | \$ 1,754,137 | \$ 626,884 | \$ (1,221,572) |
| Noncash investing and capital and related financing activities | | | |
| Contributions of capital assets from other funds | \$ 473,013 | \$ - | \$ - |
| Capital asset contributions - federal grant and other | \$ 260,000 | \$ - | \$ - |
| Book value of capital asset disposals | \$ 23,523 | \$ - | \$ - |

City of Sparks, Nevada
Combining Statement of Cash Flows – Internal Service Funds
Year Ended June 30, 2016

| <u>Municipal Self-Insurance</u> | <u>Totals</u> |
|-------------------------------------|-----------------------|
| \$ (539,227) | \$ (842,694) |
| - | 1,038,434 |
| - | 112,527 |
| - | (149,960) |
| (10,357) | (17,561) |
| - | (72,672) |
| - | (9,946) |
| - | 55,032 |
| (169,130) | (31,771) |
| - | (3,021) |
| - | 58,646 |
| - | 2,713 |
| - | 64 |
| 11,250 | 11,250 |
| - | 9,947 |
| 81,722 | 86,562 |
| - | 286,157 |
| <u>(86,515)</u> | <u>1,376,401</u> |
| <u>\$ (625,742)</u> | <u>\$ 533,707</u> |
| <u>\$ -</u> | <u>\$ 473,013</u> |
| <u>\$ -</u> | <u>\$ 260,000</u> |
| <u>\$ -</u> | <u>\$ 23,523</u> |

City of Sparks, Nevada

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual

Motor Vehicle Maintenance Fund

Year Ended June 30, 2016

(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|--|-----------------|---------------|--------------|--------------|
| | Final Budget | Actual | Variance | |
| Operating Revenues | | | | |
| Charges for services | | | | |
| Equipment rent | \$ 3,079,034 | \$ 3,222,877 | \$ 143,843 | \$ 3,430,178 |
| Fuel | 574,649 | 441,178 | (133,471) | 541,075 |
| Miscellaneous | 17,000 | 37,648 | 20,648 | 29,525 |
| Total operating revenues | 3,670,683 | 3,701,703 | 31,020 | 4,000,778 |
| Operating Expenses | | | | |
| Salaries and wages | 545,044 | 565,784 | (20,740) | 475,544 |
| Employee benefits | 337,904 | 296,841 | 41,063 | 274,110 |
| Services and supplies | 1,444,074 | 1,348,629 | 95,445 | 1,373,589 |
| Depreciation | 1,393,052 | 1,038,434 | 354,618 | 1,061,181 |
| Total operating expenses | 3,720,074 | 3,249,688 | 470,386 | 3,184,424 |
| Operating Income (Loss) | (49,391) | 452,015 | 501,406 | 816,354 |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | 14,000 | 37,052 | 23,052 | 16,734 |
| Interest expense | (9,116) | (1,139) | 7,977 | (43,837) |
| Miscellaneous | - | - | - | 3,362 |
| Gain (loss) on disposition of assets | 50,000 | 34,617 | (15,383) | 282,411 |
| Total nonoperating revenues (expenses) | 54,884 | 70,530 | 15,646 | 258,670 |
| Income (Loss) Before Capital Contributions and Transfers | 5,493 | 522,545 | 517,052 | 1,075,024 |
| Capital Contributions | | | | |
| Grants | 273,684 | 260,000 | (13,684) | - |
| Vehicles | - | - | - | 39,777 |
| Total capital contributions | 273,684 | 260,000 | (13,684) | 39,777 |
| Transfers | | | | |
| Transfers in | 589,993 | 1,063,006 | 473,013 | 73,580 |
| Transfers out | (1,000,000) | - | 1,000,000 | (327,740) |
| Total transfers | (410,007) | 1,063,006 | 1,473,013 | (254,160) |
| Change in Net Position | \$ (130,830) | 1,845,551 | \$ 1,976,381 | \$ 860,641 |
| Net Position, Beginning of Year | | 8,607,078 | | |
| Net Position, End of Year | | \$ 10,452,629 | | |

City of Sparks, Nevada
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Group Insurance Self-Insurance Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|--|-------------------|-------------------|------------------|-----------------------|
| | Final Budget | Actual | Variance | |
| Operating Revenues | | | | |
| Charges for services | | | | |
| Other | \$ 11,440,869 | \$ 11,021,101 | \$ (419,768) | \$ 8,750,562 |
| Miscellaneous | | | | |
| Reimbursement from insurance claims | 1,000 | 40,414 | 39,414 | 59,775 |
| Total operating revenues | 11,441,869 | 11,061,515 | (380,354) | 8,810,337 |
| Operating Expenses | | | | |
| Services and supplies | 10,909,078 | 10,431,797 | 477,281 | 10,085,185 |
| Operating Income (Loss) | 532,791 | 629,718 | 96,927 | (1,274,848) |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | 10,000 | 9,059 | (941) | 8,458 |
| Change in Net Position | <u>\$ 542,791</u> | 638,777 | <u>\$ 95,986</u> | <u>\$ (1,266,390)</u> |
| Net Position, Beginning of Year | | <u>(447,299)</u> | | |
| Net Position, End of Year | | <u>\$ 191,478</u> | | |

City of Sparks, Nevada

Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Workers' Compensation Insurance Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|---|-----------------------|-----------------------|---------------------|---------------------|
| | Final Budget | Actual | Variance | |
| Operating Revenues | | | | |
| Charges for services | | | | |
| Contributions and reimbursements | \$ 492,938 | \$ 312,634 | \$ (180,304) | \$ 359,938 |
| Miscellaneous | | | | |
| Reimbursement from insurance claims | - | 31,635 | 31,635 | 4,746 |
| Total operating revenues | 492,938 | 344,269 | (148,669) | 364,684 |
| Operating Expenses | | | | |
| Services and supplies | 3,209,661 | 1,729,469 | 1,480,192 | (2,566,357) |
| Operating Income (Loss) | (2,716,723) | (1,385,200) | 1,331,523 | 2,931,041 |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | 40,000 | 81,124 | 41,124 | 43,990 |
| Change in Net Position | <u>\$ (2,676,723)</u> | <u>(1,304,076)</u> | <u>\$ 1,372,647</u> | <u>\$ 2,975,031</u> |
| Net Position, Beginning of Year, as Originally Reported | | (1,025,862) | | |
| Prior Period Adjustment | | <u>(857,811)</u> | | |
| Net Position, Beginning of Year, as Restated | | <u>(1,883,673)</u> | | |
| Net Position, End of Year | | <u>\$ (3,187,749)</u> | | |

City of Sparks, Nevada
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Municipal Self-Insurance Fund
Year Ended June 30, 2016
(with Comparative Actual Amounts for Year Ended June 30, 2015)

| | 2016 | | | 2015 |
|--|-------------------------|--------------------|--------------------|---------------------|
| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> | |
| Operating Revenues | | | | |
| Charges for services | | | | |
| Interfund services provided | \$ 345,693 | \$ 345,692 | \$ (1) | \$ 250,527 |
| Miscellaneous | | | | |
| Reimbursement from insurance claims | <u>70,000</u> | <u>27,538</u> | <u>(42,462)</u> | <u>98,879</u> |
| Total operating revenues | 415,693 | 373,230 | (42,463) | 349,406 |
| Operating Expenses | | | | |
| Services and supplies | <u>1,204,295</u> | <u>912,457</u> | <u>291,838</u> | <u>1,458,045</u> |
| Operating Income (Loss) | <u>(788,602)</u> | <u>(539,227)</u> | <u>249,375</u> | <u>(1,108,639)</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | <u>8,000</u> | <u>9,246</u> | <u>1,246</u> | <u>9,527</u> |
| Total nonoperating revenues (expenses) | <u>8,000</u> | <u>9,246</u> | <u>1,246</u> | <u>9,527</u> |
| Income (Loss) Before Transfers | <u>(780,602)</u> | <u>(529,981)</u> | <u>250,621</u> | <u>(1,099,112)</u> |
| Transfers | | | | |
| Transfers in | - | - | - | 327,740 |
| Transfers out | <u>-</u> | <u>(334,871)</u> | <u>(334,871)</u> | <u>-</u> |
| Change in Net Position | <u>\$ (780,602)</u> | (864,852) | <u>\$ (84,250)</u> | <u>\$ (771,372)</u> |
| Net Position, Beginning of Year | | <u>836,361</u> | | |
| Net Position, End of Year | | <u>\$ (28,491)</u> | | |

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Agency Funds

Sick Leave Retirement Trust Fund

To account for the accumulation of resources for health insurance premium payments of specified retirees.

Postemployment Medical Benefits Trust Fund

To account for the accumulation of resources for postemployment medical benefits of specified retirees.

Truckee Meadows Water Reclamation Facility

To account for assets held for the Truckee Meadows Water Reclamation Facility.

Regional Transportation Commission Road Impact Fund

To account for assets held to be distributed on a quarterly basis to the Regional Transportation Commission.

Marina Special Assessment District 2 (Refunding)

To account for collections of special assessments and distributions to special assessment debt-holders for payments on Marina Special Assessment District 2 debt, for which the City is not obligated in any manner.

Others

The following funds are maintained to account for the accumulation of resources to perform limited maintenance of landscaping within the respective subdivisions:

- Mesa Meadows Landscape Maintenance Fund
- Promontory Landscape Maintenance Fund
- Triple Crown Landscape Maintenance Fund

City of Sparks, Nevada
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2016

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|--|-------------------------|---------------|---------------|--------------------------|
| Sick Leave Retirement Trust Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 42,213 | \$ 811,841 | \$ 818,287 | \$ 35,767 |
| Liabilities | | | | |
| Group insurance premiums payable | \$ 42,213 | \$ 811,841 | \$ 818,287 | \$ 35,767 |
| Post Employment Medical Benefits Trust Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 535,812 | \$ 221,499 | \$ 308,018 | \$ 449,293 |
| Liabilities | | | | |
| Group insurance premiums payable | \$ 535,812 | \$ 221,499 | \$ 308,018 | \$ 449,293 |
| Truckee Meadows Water Reclamation Facility | | | | |
| Assets | | | | |
| Cash and investments | \$ 2,964,467 | \$ 20,488,034 | \$ 20,389,828 | \$ 3,062,673 |
| Liabilities | | | | |
| Due to other governments | \$ 2,964,467 | \$ 20,488,034 | \$ 20,389,828 | \$ 3,062,673 |
| Regional Transportation Commission Road Impact Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 224,582 | \$ 618,915 | \$ 718,021 | \$ 125,476 |
| Liabilities | | | | |
| Due to other governments | \$ 224,582 | \$ 618,915 | \$ 718,021 | \$ 125,476 |
| Marina Special Assessment District 2 (Refunding) | | | | |
| Assets | | | | |
| Cash and investments | \$ 29,706 | \$ - | \$ 29,706 | \$ - |
| Liabilities | | | | |
| Due to special assessment bond holders | \$ 29,706 | \$ - | \$ 29,706 | \$ - |
| Mesa Meadows Landscape Maintenance Fund | | | | |
| Assets | | | | |
| Cash and investments | \$ 10,554 | \$ 46,455 | \$ 55,951 | \$ 1,058 |
| Liabilities | | | | |
| Accounts payable | \$ 10,554 | \$ 46,455 | \$ 55,951 | \$ 1,058 |

City of Sparks, Nevada
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2016

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|--|-------------------------|----------------------|----------------------|--------------------------|
| <u>Promontory Landscape Maintenance Fund</u> | | | | |
| Assets | | | | |
| Cash and investments | <u>\$ 7,326</u> | <u>\$ 16,771</u> | <u>\$ 12,803</u> | <u>\$ 11,294</u> |
| Liabilities | | | | |
| Accounts payable | <u>\$ 7,326</u> | <u>\$ 16,771</u> | <u>\$ 12,803</u> | <u>\$ 11,294</u> |
| <u>Triple Crown Landscape Maintenance Fund</u> | | | | |
| Assets | | | | |
| Cash and investments | <u>\$ 131,093</u> | <u>\$ 48,179</u> | <u>\$ 32,128</u> | <u>\$ 147,144</u> |
| Liabilities | | | | |
| Accounts payable | <u>\$ 131,093</u> | <u>\$ 48,179</u> | <u>\$ 32,128</u> | <u>\$ 147,144</u> |
| <u>Totals - All Agency Funds</u> | | | | |
| Assets | | | | |
| Cash and investments | <u>\$ 3,945,753</u> | <u>\$ 22,251,694</u> | <u>\$ 22,364,742</u> | <u>\$ 3,832,705</u> |
| Liabilities | | | | |
| Accounts payable | \$ 148,973 | \$ 111,405 | \$ 100,882 | \$ 159,496 |
| Group insurance premiums payable | 578,025 | 1,033,340 | 1,126,305 | 485,060 |
| Due to special assessment bond holders | 29,706 | - | 29,706 | - |
| Due to other governments | <u>3,189,049</u> | <u>21,106,949</u> | <u>21,107,849</u> | <u>3,188,149</u> |
| Total liabilities | <u>\$ 3,945,753</u> | <u>\$ 22,251,694</u> | <u>\$ 22,364,742</u> | <u>\$ 3,832,705</u> |

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City of Sparks, Nevada

Schedule of Fees Imposed Subject to NRS 354.5989 – Limitation of Fees for Business Licenses
Year Ended June 30, 2016

Flat Fixed Fees

| | |
|---|------------|
| Business license revenue adjusted base at June 30, 2015 | \$ 780,510 |
|---|------------|

Adjustment to Base

| | | |
|--|-------|-------|
| Percentage increase in population of the local government | 1.28% | |
| Percentage increase in the Consumer Price Index for the year ending on December 31 next preceding the year for which the limit is being calculated | 0.40% | 1.68% |

13,113

| | |
|--------------------------------|---------|
| Adjusted base at June 30, 2016 | 793,623 |
|--------------------------------|---------|

| | |
|----------------|----------------|
| Actual revenue | <u>723,952</u> |
|----------------|----------------|

| | |
|-------------------------------|---------------------------|
| Amount under allowable amount | <u><u>\$ (69,671)</u></u> |
|-------------------------------|---------------------------|

Fee Calculated on a Percentage of Gross Revenue

| | |
|--------------------------------|--------------|
| Adjusted base at June 30, 2015 | \$ 2,223,800 |
|--------------------------------|--------------|

| | |
|--------------------------|--------------|
| Percentage change in CPI | <u>1.004</u> |
|--------------------------|--------------|

| | |
|--------------------------------|--------------|
| Adjusted base at June 30, 2016 | \$ 2,232,695 |
|--------------------------------|--------------|

| | |
|----------------|------------------|
| Actual revenue | <u>3,704,332</u> |
|----------------|------------------|

| | |
|-------------------------------------|----------------------------|
| Actual amount over allowable amount | <u><u>\$ 1,471,637</u></u> |
|-------------------------------------|----------------------------|

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This part of the City of Sparks' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

| Section Contents | Schedule # |
|---|-------------------|
| Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. | 1.1 - 1.4 |
| Revenue Capacity These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes. | 2.1 - 2.4 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt, and its ability to issue additional future debt. | 3.1 - 3.4 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments. | 4.1 - 4.2 |
| Operating Information These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs. | 5.1 - 5.3 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

| | 2016 | 2015 | 2014 | 2013 |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | |
| Net investment in | | | | |
| capital assets | \$ 364,071,812 | \$ 349,494,836 | \$ 333,680,025 | \$ 276,456,276 |
| Restricted | 35,374,824 | 35,589,211 | 41,194,330 | 42,903,334 |
| Unrestricted | <u>(163,874,191)</u> | <u>(162,908,270)</u> | <u>(113,144,667)</u> | <u>(101,758,726)</u> |
| Total governmental activities | <u>\$ 235,572,445</u> | <u>\$ 222,175,777</u> | <u>\$ 261,729,688</u> | <u>\$ 217,600,884</u> |
| Business-Type Activities | | | | |
| Net investment in | | | | |
| Capital assets | \$ 133,052,926 | \$ 132,378,854 | \$ 124,836,498 | \$ 118,604,065 |
| Restricted | - | - | - | - |
| Unrestricted | <u>61,224,746</u> | <u>52,757,466</u> | <u>62,226,339</u> | <u>62,724,798</u> |
| Total business-type activities | <u>\$ 194,277,672</u> | <u>\$ 185,136,320</u> | <u>\$ 187,062,837</u> | <u>\$ 181,328,863</u> |
| Primary Government | | | | |
| Net investment in | | | | |
| Capital assets | \$ 497,124,738 | \$ 481,873,690 | \$ 458,516,523 | \$ 395,060,341 |
| Restricted | 35,374,824 | 35,589,211 | 41,194,330 | 42,903,334 |
| Unrestricted | <u>(102,649,445)</u> | <u>(110,150,804)</u> | <u>(50,918,328)</u> | <u>(39,033,928)</u> |
| Total primary government | <u>\$ 429,850,117</u> | <u>\$ 407,312,097</u> | <u>\$ 448,792,525</u> | <u>\$ 398,929,747</u> |

Prepared on the accrual basis of accounting.

City of Sparks, Nevada
Schedule 1.1 – Net Position by Component
Last Ten Fiscal Years (Unaudited)

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 244,417,470 | \$ 248,628,684 | \$ 240,120,081 | \$ 231,945,948 | \$ 232,225,145 | \$ 197,548,146 |
| 51,091,604 | 54,408,668 | 52,436,068 | 29,215,548 | 25,841,636 | 31,281,266 |
| <u>(103,675,703)</u> | <u>(106,405,447)</u> | <u>(99,397,357)</u> | <u>(92,013,116)</u> | <u>11,302,280</u> | <u>30,290,646</u> |
| <u>\$ 191,833,371</u> | <u>\$ 196,631,905</u> | <u>\$ 193,158,792</u> | <u>\$ 169,148,380</u> | <u>\$ 269,369,061</u> | <u>\$ 259,120,058</u> |
| | | | | | |
| \$ 117,872,586 | \$ 116,663,143 | \$ 114,408,011 | \$ 110,657,125 | \$ 97,014,066 | \$ 93,760,468 |
| - | - | - | - | 29,391,969 | 28,315,990 |
| <u>64,634,725</u> | <u>65,174,839</u> | <u>66,681,450</u> | <u>70,313,937</u> | <u>45,149,581</u> | <u>40,062,574</u> |
| <u>\$ 182,507,311</u> | <u>\$ 181,837,982</u> | <u>\$ 181,089,461</u> | <u>\$ 180,971,062</u> | <u>\$ 171,555,616</u> | <u>\$ 162,139,032</u> |
| | | | | | |
| \$ 362,290,056 | \$ 365,291,827 | \$ 354,528,092 | \$ 342,603,073 | \$ 329,239,211 | \$ 291,308,614 |
| 51,091,604 | 54,408,668 | 52,436,068 | 29,215,548 | 55,233,605 | 59,597,256 |
| <u>(39,040,978)</u> | <u>(41,230,608)</u> | <u>(32,715,907)</u> | <u>(21,699,179)</u> | <u>56,451,861</u> | <u>70,353,220</u> |
| <u>\$ 374,340,682</u> | <u>\$ 378,469,887</u> | <u>\$ 374,248,253</u> | <u>\$ 350,119,442</u> | <u>\$ 440,924,677</u> | <u>\$ 421,259,090</u> |

| | 2016 | 2015 | 2014 | 2013 |
|---|----------------|----------------|----------------|----------------|
| Expenses | | | | |
| Governmental Activities | | | | |
| General government | \$ 17,259,801 | \$ 12,531,485 | \$ 10,756,417 | \$ 10,863,112 |
| Judicial | 2,085,243 | 2,119,937 | 2,213,707 | 2,225,488 |
| Public safety | 41,989,882 | 39,489,038 | 44,473,405 | 40,779,887 |
| Public works | 8,564,996 | 6,300,571 | 13,107,396 | 13,780,817 |
| Culture and recreation | 10,163,718 | 9,829,803 | 10,230,616 | 9,672,978 |
| Community support | 2,577,879 | 1,384,932 | 1,949,757 | 1,568,970 |
| Intergovernmental | - | - | - | - |
| Interest on long-term debt | 9,827,453 | 11,187,762 | 10,748,859 | 13,158,074 |
| Total governmental activities expenses | 92,468,972 | 82,843,528 | 93,480,157 | 92,049,326 |
| Business-type Activities | | | | |
| Sewer | 23,863,114 | 22,442,881 | 24,153,084 | 24,622,329 |
| Development services | 2,871,068 | 1,991,181 | 1,624,933 | 1,780,442 |
| Special events | - | - | - | - |
| Total business-type activities expenses | 26,734,182 | 24,434,062 | 25,778,017 | 26,402,771 |
| Total primary government expenses | \$ 119,203,154 | \$ 107,277,590 | \$ 119,258,174 | \$ 118,452,097 |
| Program Revenues | | | | |
| Governmental Activities | | | | |
| Charges for services | | | | |
| General government | \$ 14,374,893 | \$ 13,190,273 | \$ 12,019,773 | \$ 11,417,822 |
| Judicial | 940,585 | 959,730 | 988,053 | 991,278 |
| Public safety | 718,541 | 972,957 | 960,766 | 728,109 |
| Public works | 3,124,194 | 3,246,022 | 3,040,582 | 3,055,505 |
| Sanitation | 112,103 | 89,864 | 37,520 | 6,300 |
| Culture, recreation, and community support | 4,703,917 | 4,520,065 | 4,446,327 | 4,197,108 |
| Operating grants, interest, and contributions | 1,534,679 | 1,234,890 | 1,867,496 | 2,184,401 |
| Capital grants, interest, and contributions | 14,611,760 | 23,015,112 | 56,827,683 | 37,135,600 |
| Total governmental activities program revenues | 40,120,672 | 47,228,913 | 80,188,200 | 59,716,123 |
| Business-type Activities | | | | |
| Charges for services | | | | |
| Sewer | 22,858,463 | 21,956,804 | 21,209,352 | 21,114,955 |
| Development services | 4,153,119 | 3,266,871 | 2,317,542 | 2,117,900 |
| Special events | - | - | - | - |
| Operating grants, interest, and contributions | - | - | - | - |
| Capital grants, interest, and contributions | 6,490,750 | 5,509,920 | 7,746,694 | 2,246,382 |
| Total business-type activities program revenues | 33,502,332 | 30,733,595 | 31,273,588 | 25,479,237 |
| Total primary government program revenues | 73,623,004 | 77,962,508 | 111,461,788 | 85,195,360 |

Prepared on the accrual basis of accounting.

City of Sparks, Nevada
Schedule 1.2 – Changes in Net Position
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ 8,817,144 | \$ 10,025,892 | \$ 9,446,502 | \$ 14,777,036 | \$ 12,403,133 | \$ 11,661,238 |
| 2,054,034 | 2,158,409 | 2,304,226 | 2,260,022 | 2,206,087 | 2,128,779 |
| 37,286,519 | 36,969,841 | 41,712,851 | 41,632,067 | 41,422,094 | 39,316,933 |
| 14,071,989 | 14,151,854 | 14,700,661 | 11,447,145 | 10,871,899 | 10,870,053 |
| 9,149,895 | 9,899,309 | 11,237,024 | 11,814,474 | 11,339,107 | 9,170,899 |
| 2,473,833 | 3,206,527 | 6,101,231 | 96,486,490 | 3,260,995 | 2,864,022 |
| - | - | - | - | - | - |
| 13,480,497 | 12,860,069 | 12,398,040 | 11,611,485 | 3,014,307 | 3,445,090 |
| 87,333,911 | 89,271,901 | 97,900,535 | 190,028,719 | 84,517,622 | 79,457,014 |
| 20,399,005 | 21,680,905 | 22,979,230 | 22,541,333 | 22,943,578 | 18,588,132 |
| 1,468,521 | 1,653,448 | 2,636,060 | 4,356,655 | 7,415,328 | 8,134,105 |
| - | - | - | - | - | 667,015 |
| 21,867,526 | 23,334,353 | 25,615,290 | 26,897,988 | 30,358,906 | 27,389,252 |
| \$ 109,201,437 | \$ 112,606,254 | \$ 123,515,825 | \$ 216,926,707 | \$ 114,876,528 | \$ 106,846,266 |
| \$ 11,607,851 | \$ 11,639,553 | \$ 12,791,944 | \$ 13,540,898 | \$ 13,082,445 | \$ 14,245,717 |
| 1,032,788 | 1,317,073 | 1,327,287 | 1,162,867 | 1,212,838 | 1,255,761 |
| 880,505 | 2,014,994 | 801,870 | 674,869 | 714,749 | 909,204 |
| 2,835,071 | 2,695,408 | 2,622,887 | 2,675,642 | 2,433,410 | 2,546,119 |
| 15,330 | - | 30,852 | 93,775 | 141,100 | 250,063 |
| 5,295,120 | 4,114,266 | 4,217,444 | 4,459,484 | 4,197,229 | 4,530,880 |
| 1,940,111 | 2,445,242 | 2,095,270 | 1,395,463 | 1,652,886 | 3,246,249 |
| 6,441,089 | 16,900,744 | 20,097,164 | 12,625,105 | 9,299,281 | 13,285,210 |
| 30,047,865 | 41,127,280 | 43,984,718 | 36,628,103 | 32,733,938 | 40,269,203 |
| 19,851,753 | 18,827,593 | 18,523,097 | 18,101,886 | 15,905,011 | 13,933,305 |
| 2,013,713 | 1,410,322 | 1,463,498 | 3,545,235 | 5,696,054 | 6,670,574 |
| - | - | - | - | (835) | 466,384 |
| - | - | - | - | 31,247 | - |
| 589,860 | 797,086 | 1,993,711 | 3,508,720 | 12,836,482 | 7,163,970 |
| 22,455,326 | 21,035,001 | 21,980,306 | 25,155,841 | 34,467,959 | 28,234,233 |
| 52,503,191 | 62,162,281 | 65,965,024 | 61,783,944 | 67,201,897 | 68,503,436 |

| | 2016 | 2015 | 2014 | 2013 |
|--|------------------------|------------------------|-----------------------|------------------------|
| Net (Expense)/Revenue | | | | |
| Governmental activities | \$ (52,348,300) | \$ (35,614,615) | \$ (13,291,957) | \$ (32,333,203) |
| Business-type activities | 6,768,150 | 6,299,533 | 5,495,571 | (923,534) |
| Total primary government net expense | <u>\$ (45,580,150)</u> | <u>\$ (29,315,082)</u> | <u>\$ (7,796,386)</u> | <u>\$ (33,256,737)</u> |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental Activities | | | | |
| Taxes | | | | |
| Ad valorem | \$ 25,735,620 | \$ 24,206,813 | \$ 23,423,624 | \$ 23,200,778 |
| Special assessments - taxes | 1,197,930 | 1,082,636 | 1,188,135 | 1,830,467 |
| Consolidated | 22,695,286 | 20,916,103 | 19,356,294 | 18,252,243 |
| Other | 16,199,616 | 15,418,511 | 14,282,782 | 13,571,789 |
| Unrestricted investment income | 506,173 | 254,882 | 378,347 | 3,638 |
| Other | 215,107 | 584,991 | 778,449 | 776,389 |
| Transfers | 53,047 | 714,946 | 342,882 | 465,412 |
| Total governmental activities | <u>66,602,779</u> | <u>63,178,882</u> | <u>59,750,513</u> | <u>58,100,716</u> |
| Business-type Activities | | | | |
| Unrestricted investment income | 493,674 | 246,574 | 454,632 | 19,311 |
| Other | 126,503 | 154,962 | 126,653 | 191,187 |
| Transfers | (53,047) | (714,946) | (342,882) | (465,412) |
| Total business-type activities | <u>567,130</u> | <u>(313,410)</u> | <u>238,403</u> | <u>(254,914)</u> |
| Total primary government activities | <u>\$ 67,169,909</u> | <u>\$ 62,865,472</u> | <u>\$ 59,988,916</u> | <u>\$ 57,845,802</u> |
| Change in Net Position | | | | |
| Governmental activities | \$ 14,254,479 | \$ 27,564,267 | \$ 46,458,556 | \$ 25,767,513 |
| Business-type activities | 7,335,280 | 5,986,123 | 5,733,974 | (1,178,448) |
| Total primary government change in net position | <u>\$ 21,589,759</u> | <u>\$ 33,550,390</u> | <u>\$ 52,192,530</u> | <u>\$ 24,589,065</u> |

Prepared on the accrual basis of accounting.

City of Sparks, Nevada
Schedule 1.2 – Changes in Net Position
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|------------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|
| \$ (57,286,046) | \$ (48,144,621) | \$ (53,915,817) | \$ (153,400,616) | \$ (51,783,684) | \$ (39,187,811) |
| 587,800 | (2,299,352) | (3,634,984) | (1,742,147) | 4,109,053 | 844,981 |
| <u>\$ (56,698,246)</u> | <u>\$ (50,443,973)</u> | <u>\$ (57,550,801)</u> | <u>\$ (155,142,763)</u> | <u>\$ (47,674,631)</u> | <u>\$ (38,342,830)</u> |
| | | | | | |
| \$ 23,935,797 | \$ 25,692,651 | \$ 29,194,703 | \$ 30,028,590 | \$ 27,817,931 | \$ 25,508,556 |
| 1,895,243 | 1,960,106 | 28,130,914 | - | - | - |
| 17,513,809 | 16,725,697 | 16,582,397 | 18,521,203 | 22,526,073 | 25,167,648 |
| 11,119,363 | 11,418,369 | 9,518,119 | 6,413,406 | 4,801,416 | 4,793,754 |
| 367,254 | 475,772 | 1,575,591 | 3,667,677 | 3,426,124 | 3,639,015 |
| 480,804 | (4,471,332) | (7,462,151) | 3,972,094 | 4,649,354 | 18,574,607 |
| 13,273 | (183,529) | (2,403,664) | (9,423,035) | (1,188,211) | 210,965 |
| <u>55,325,543</u> | <u>51,617,734</u> | <u>75,135,909</u> | <u>53,179,935</u> | <u>62,032,687</u> | <u>77,894,545</u> |
| | | | | | |
| 399,619 | 382,358 | 1,114,003 | 1,399,026 | 2,358,845 | 2,016,700 |
| 371,133 | 299,956 | 235,716 | 335,532 | 1,760,475 | 918,415 |
| (13,273) | 183,529 | 2,403,664 | 9,423,035 | 1,188,211 | (210,965) |
| <u>757,479</u> | <u>865,843</u> | <u>3,753,383</u> | <u>11,157,593</u> | <u>5,307,531</u> | <u>2,724,150</u> |
| | | | | | |
| <u>\$ 56,083,022</u> | <u>\$ 52,483,577</u> | <u>\$ 78,889,292</u> | <u>\$ 64,337,528</u> | <u>\$ 67,340,218</u> | <u>\$ 80,618,695</u> |
| | | | | | |
| \$ (1,960,503) | \$ 3,473,113 | \$ 21,220,092 | \$ (100,220,681) | \$ 10,249,003 | \$ 38,706,734 |
| 1,345,279 | (1,433,509) | 118,399 | 9,415,446 | 9,416,584 | 3,569,131 |
| <u>\$ (615,224)</u> | <u>\$ 2,039,604</u> | <u>\$ 21,338,491</u> | <u>\$ (90,805,235)</u> | <u>\$ 19,665,587</u> | <u>\$ 42,275,865</u> |

| | 2016 | 2015 | 2014 | 2013 |
|---|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved | | | | |
| Designated | - | - | - | - |
| Undesignated | - | - | - | - |
| Nonspendable | - | 333 | - | - |
| Restricted | - | - | - | - |
| Assigned | 2,345,634 | 2,499,431 | 1,101,885 | 1,693,859 |
| Unassigned | 3,661,772 | 3,946,852 | 3,762,386 | 4,113,903 |
| Total general fund ⁽¹⁾ | <u>\$ 6,007,406</u> | <u>\$ 6,446,616</u> | <u>\$ 4,864,271</u> | <u>\$ 5,807,762</u> |
| All Other Governmental Funds | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ - |
| Unreserved | | | | |
| Designated in | | | | |
| Special Revenue Funds | - | - | - | - |
| Debt Service Funds | - | - | - | - |
| Capital Projects Funds | - | - | - | - |
| Undesignated in | | | | |
| Special Revenue Funds | - | - | - | - |
| Debt Service Funds | - | - | - | - |
| Capital Projects Funds | - | - | - | - |
| Restricted | 36,862,093 | 35,767,128 | 41,650,718 | 35,210,268 |
| Committed | 1,073,424 | 798,424 | 1,163,684 | 1,040,583 |
| Assigned | 3,429,725 | 3,993,693 | 3,443,911 | 3,417,542 |
| Total all other governmental funds ⁽¹⁾ | <u>\$ 41,365,242</u> | <u>\$ 40,559,245</u> | <u>\$ 46,258,313</u> | <u>\$ 39,668,393</u> |

Notes:

⁽¹⁾ Fluctuations in total general fund balance and total all other governmental funds balance primarily reflect activity related to large capital projects.

⁽²⁾ Fund balances beginning with fiscal year 2011 have been reclassified per GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

City of Sparks, Nevada
Schedule 1.3 – Fund Balances, Governmental Funds
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 ⁽²⁾ | 2010 | 2009 | 2008 | 2007 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ - | \$ - | \$ 103,542 | \$ 145,056 | \$ 2,339,619 | \$ 3,251,155 |
| - | - | 3,569,096 | 4,787,612 | 2,946,258 | 4,653,106 |
| - | - | 1,180,678 | 1,428,367 | - | 1,671,937 |
| 1,268 | 788 | - | - | - | - |
| 13,571 | 346,058 | - | - | - | - |
| 2,153,036 | 1,336,536 | - | - | - | - |
| 4,324,416 | 5,161,421 | - | - | - | - |
| <u>\$ 6,844,803</u> | <u>\$ 6,844,803</u> | <u>\$ 4,853,316</u> | <u>\$ 6,361,035</u> | <u>\$ 5,285,877</u> | <u>\$ 9,576,198</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 3,042,768 | 1,817,197 | 2,745,928 | 3,371,213 |
| - | - | 17,203,646 | 20,778,418 | 5,846,639 | 5,335,046 |
| - | - | 10,689,211 | 17,217,241 | 14,734,728 | 13,062,564 |
| - | - | 2,020,507 | 99,033 | 6,445 | 3,273,881 |
| - | - | 2,777,260 | 1,107,955 | 190,173 | 403,389 |
| - | - | 7,885,152 | 6,166,558 | 4,284,574 | 27,587,271 |
| 36,390,477 | 35,551,672 | - | - | - | - |
| 837,136 | 692,616 | - | - | - | - |
| 3,523,829 | 4,559,865 | - | - | - | - |
| <u>\$ 40,751,442</u> | <u>\$ 40,804,153</u> | <u>\$ 43,618,544</u> | <u>\$ 47,186,402</u> | <u>\$ 27,808,487</u> | <u>\$ 53,033,364</u> |

| | 2016 | 2015 | 2014 | 2013 |
|--|---------------|----------------|---------------|----------------|
| Revenues | | | | |
| Taxes | \$ 28,969,948 | \$ 27,564,923 | \$ 32,673,904 | \$ 26,825,221 |
| Licenses and permits | 15,892,828 | 15,806,282 | 14,636,255 | 13,878,721 |
| Intergovernmental revenues | 40,724,097 | 38,096,816 | 36,101,825 | 35,016,415 |
| Charges for services | 5,186,023 | 5,107,022 | 5,460,416 | 5,366,208 |
| Fines and forfeits | 663,882 | 653,313 | 662,907 | 686,356 |
| Miscellaneous | 846,889 | 435,736 | 950,298 | 440,595 |
| Total revenues | 92,283,667 | 87,664,092 | 90,485,605 | 82,213,516 |
| Expenditures | | | | |
| General government* | 10,979,858 | 10,113,421 | 10,013,248 | 9,484,391 |
| Judicial | 1,998,477 | 2,097,670 | 1,931,962 | 1,976,186 |
| Public safety | 41,066,025 | 39,716,955 | 38,156,786 | 35,632,227 |
| Public works | 4,827,742 | 4,774,668 | 4,539,922 | 5,737,079 |
| Culture and recreation | 7,258,973 | 6,820,522 | 6,797,156 | 6,365,455 |
| Community support | 1,802,744 | 901,936 | 1,117,381 | 725,288 |
| Intergovernmental | - | - | - | - |
| Capital outlay | 5,918,626 | 5,082,673 | 4,077,064 | 6,920,081 |
| Debt service: | - | - | - | - |
| Principal | 7,398,000 | 13,797,000 | 13,825,000 | 6,080,000 |
| Interest | 10,920,981 | 11,208,334 | 12,003,482 | 11,135,169 |
| Other | 4,366 | 211,815 | 150,057 | 95,898 |
| Total expenditures | 92,175,792 | 94,724,994 | 92,612,058 | 84,151,774 |
| Excess (Deficiency) of Revenues Over Expenditures | 107,875 | (7,060,902) | (2,126,453) | (1,938,258) |
| Other Financing Sources (Uses) | | | | |
| Capital asset sales | 934,000 | 2,150,000 | 100,000 | 88,258 |
| Capital leases | - | - | - | - |
| Bonds issued | - | - | - | - |
| Proceeds of refunding bonds | - | 7,285,000 | 7,330,000 | - |
| Payment to refunded bond escrow | - | (7,132,187) | - | - |
| Refunded bonds redeemed | - | - | - | - |
| Payoff of refinanced notes | - | - | - | - |
| Transfers in | 6,542,487 | 5,749,856 | 6,207,065 | 4,643,725 |
| Transfers out | (7,217,575) | (5,108,490) | (5,864,183) | (4,561,303) |
| Prior period adjustment | - | - | - | - |
| Total other financing sources (uses) | 258,912 | 2,944,179 | 7,772,882 | 170,680 |
| Net Change in Fund Balances | \$ 366,787 | \$ (4,116,723) | \$ 5,646,429 | \$ (1,767,578) |
| Debt service as a percentage of noncapital expenditures | 21.2% | 27.9% | 29.2% | 22.3% |

* Includes General, Special Revenue, Capital Projects and Debt Service Funds.

City of Sparks, Nevada
Schedule 1.4 – Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------|---------------|----------------|---------------|-----------------|---------------|
| \$ 27,612,851 | \$ 29,467,590 | \$ 32,410,994 | \$ 31,274,738 | \$ 28,978,465 | \$ 27,628,757 |
| 13,721,762 | 13,238,303 | 13,669,551 | 14,689,530 | 14,683,887 | 15,862,116 |
| 31,605,381 | 31,505,744 | 29,576,686 | 27,967,425 | 28,457,097 | 34,112,864 |
| 6,303,327 | 7,168,837 | 8,147,497 | 8,506,396 | 10,038,096 | 7,691,212 |
| 707,145 | 923,884 | 965,408 | 994,119 | 1,030,249 | 1,072,402 |
| 1,624,222 | 2,187,918 | 2,240,126 | 6,238,845 | 3,222,787 | 3,632,831 |
| 81,574,688 | 84,492,276 | 87,010,262 | 89,671,053 | 86,410,581 | 90,000,182 |
| 9,538,767 | 9,303,631 | 9,766,563 | 15,469,427 | 12,925,180 | 12,417,105 |
| 1,972,078 | 2,060,499 | 2,087,748 | 2,106,624 | 2,102,867 | 2,100,592 |
| 35,869,222 | 35,178,504 | 37,207,229 | 37,831,695 | 38,668,242 | 37,993,570 |
| 6,274,814 | 7,983,441 | 9,028,720 | 8,401,507 | 8,347,228 | 9,190,042 |
| 6,501,064 | 6,990,564 | 7,952,673 | 9,048,897 | 9,379,399 | 8,399,860 |
| 1,619,322 | 2,011,557 | 5,188,476 | 95,685,899 | 2,376,365 | 2,001,009 |
| 259,051 | 295,331 | 378,557 | 522,230 | 555,090 | 602,197 |
| 3,228,900 | 5,672,383 | 14,080,842 | 31,682,011 | 35,791,802 | 16,863,538 |
| 5,665,000 | 5,120,000 | 5,375,177 | 3,022,679 | 3,022,746 | 3,497,151 |
| 10,068,803 | 10,427,468 | 11,808,027 | 10,115,441 | 2,674,877 | 3,169,166 |
| 95,907 | 148,273 | 517,375 | 2,543,061 | 219,354 | 240,970 |
| 81,092,928 | 85,191,651 | 103,391,387 | 216,429,471 | 116,063,150 | 96,475,200 |
| 481,760 | (699,375) | (16,381,125) | (126,758,418) | (29,652,569) | (6,475,018) |
| - | - | (173,812) | 7,250 | - | 18,192,789 |
| - | - | - | - | - | 1,527,600 |
| - | 4,180,000 | 31,948,734 | 147,774,213 | - | 22,040,000 |
| - | - | - | - | - | - |
| - | - | (22,176,160) | - | - | (20,611,718) |
| - | (4,120,000) | - | - | - | - |
| - | - | - | - | - | - |
| 4,699,972 | 4,911,833 | 7,109,022 | 10,650,405 | 10,469,999 | 15,351,278 |
| (4,582,435) | (5,095,362) | (8,562,739) | (11,220,378) | (10,332,628) | (17,221,359) |
| (1,004,520) | - | 3,160,503 | - | - | - |
| (886,983) | (123,529) | 11,305,548 | 147,211,490 | 137,371 | 19,278,590 |
| \$ (405,223) | \$ (822,904) | \$ (5,075,577) | \$ 20,453,072 | \$ (29,515,198) | \$ 12,803,572 |
| 20.2% | 19.6% | 19.2% | 7.1% | 7.1% | 8.4% |

| Fiscal Year Ended June 30, | Real Property Assessed Value | | | |
|-------------------------------|------------------------------|----------------|----------------|----------------|
| | Residential | Commercial | Industrial | Other |
| 2016 | \$ 1,628,545,964 | \$ 492,592,811 | \$ 352,196,393 | \$ 149,463,174 |
| 2015 | 1,412,538,525 | 491,969,082 | 346,266,412 | 139,008,743 |
| 2014 | 1,194,487,527 | 490,827,042 | 344,402,528 | 139,544,675 |
| 2013 | 1,205,915,561 | 484,053,275 | 333,460,281 | 135,939,375 |
| 2012 | 1,297,586,987 | 485,223,299 | 335,130,418 | 134,354,569 |
| 2011 | 1,438,907,544 | 466,143,248 | 326,211,878 | 128,602,963 |
| 2010 | 1,631,892,071 | 492,034,961 | 336,335,074 | 141,731,139 |
| 2009 | 2,064,362,454 | 518,466,654 | 331,729,137 | 154,562,665 |
| 2008 | 1,952,803,244 | 401,235,400 | 344,528,709 | 141,011,115 |
| 2007 | 1,637,749,459 | 395,203,852 | 317,640,029 | 136,903,955 |

Source: Washoe County Assessor

Pursuant to NRS 361.227, real property is valued at taxable value, determined by calculating the full cash value (market value) of land and estimated replacement cost of improvements less appropriate depreciation. Taxable assessed value is 35% of estimated actual value. Real property is reappraised at least every five years. Property not reappraised is revalued annually using various approved methods.

City of Sparks, Nevada
Schedule 2.1 – Assessed and Estimated Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

| Personal Property Assessed Value | Less Tax Exempt Property | Taxable Assessed Value | Estimated Actual Value | Percentage of Taxable Value to Actual Value | Total Direct Tax Rate |
|---|--------------------------------|------------------------------|------------------------------|--|-----------------------------|
| \$ 5,416,496 | \$ 158,289,982 | \$ 2,469,924,856 | \$ 7,056,928,160 | 35.00% | 0.9598 |
| 5,310,290 | 158,289,982 | 2,236,803,070 | 6,390,865,914 | 35.00% | 0.9598 |
| 5,206,167 | 158,470,881 | 2,015,997,058 | 5,759,991,593 | 35.00% | 0.9161 |
| 5,104,085 | 151,109,413 | 2,104,262,973 | 6,011,899,585 | 35.00% | 0.9161 |
| 4,905,887 | 153,036,305 | 2,222,443,075 | 6,349,837,357 | 35.00% | 0.9161 |
| 4,809,693 | 142,328,445 | 2,471,871,611 | 7,062,490,316 | 35.00% | 0.9161 |
| 4,715,385 | 134,931,327 | 2,471,777,303 | 7,062,220,866 | 35.00% | 0.9161 |
| 4,622,926 | 127,744,539 | 2,945,999,297 | 8,417,140,849 | 35.00% | 0.9161 |
| 4,511,962 | 134,654,704 | 2,709,435,726 | 7,741,244,931 | 35.00% | 0.9161 |
| 4,297,107 | 132,477,745 | 2,359,316,657 | 6,740,904,734 | 35.00% | 0.9161 |

| | 2016 | 2015 | 2014 | 2013 |
|---|--------|--------|--------|--------|
| City of Sparks Direct Rate | | | | |
| Operating Rate | 0.7109 | 0.7109 | 0.6672 | 0.6672 |
| Voter Approved | 0.1105 | 0.1105 | 0.1105 | 0.1105 |
| Legislative Overrides | 0.1384 | 0.1384 | 0.1384 | 0.1384 |
| Debt Service | - | - | - | - |
| Total City of Sparks Direct Rate | 0.9598 | 0.9598 | 0.9161 | 0.9161 |
| Overlapping Rates | | | | |
| Washoe County | 1.3917 | 1.3917 | 1.3917 | 1.3917 |
| Washoe County School District | 1.1385 | 1.1385 | 1.1385 | 1.1385 |
| Washoe Regional Water Planning Board/Special Districts | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| State of Nevada | 0.1700 | 0.1700 | 0.1700 | 0.1700 |
| Total Overlapping Rates | 2.7002 | 2.7002 | 2.7002 | 2.7002 |
| Total City of Sparks Property Tax Rate | 3.6600 | 3.6600 | 3.6163 | 3.6163 |
| Redevelopment Agency of the City of Sparks | 3.2085 | 3.194 | 3.1238 | 3.1336 |

Source: Nevada Department of Taxation

Note: AB 489 and SB 509 are two property tax relief measures that were passed during the 2005 Nevada legislative session that places limitations on increases of property tax paid by Nevada property owners. These tax relief measures have the potential of limiting the property tax rates levied by Nevada governmental agencies.

City of Sparks, Nevada
Schedule 2.2 – Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------|--------|--------|--------|--------|--------|
| 0.6672 | 0.6672 | 0.6372 | 0.6372 | 0.6372 | 0.6372 |
| 0.1105 | 0.1105 | 0.1105 | 0.1105 | 0.1105 | 0.1105 |
| 0.1384 | 0.1384 | 0.1284 | 0.1284 | 0.1284 | 0.1284 |
| - | - | 0.0400 | 0.0400 | 0.0400 | 0.0400 |
| 0.9161 | 0.9161 | 0.9161 | 0.9161 | 0.9161 | 0.9161 |
| 1.3917 | 1.3917 | 1.3917 | 1.3917 | 1.3917 | 1.3917 |
| 1.1385 | 1.1385 | 1.1385 | 1.1385 | 1.1385 | 1.1385 |
| 0.0000 | 0.0005 | 0.0004 | 0.0004 | 0.0004 | 0.0005 |
| 0.1700 | 0.1700 | 0.1700 | 0.1700 | 0.1700 | 0.1700 |
| 2.7002 | 2.7007 | 2.7006 | 2.7006 | 2.7006 | 2.7007 |
| 3.6163 | 3.6168 | 3.6167 | 3.6167 | 3.6167 | 3.6168 |
| 3.1336 | 3.2075 | 3.2294 | 3.2525 | 3.6167 | 3.6168 |

City of Sparks, Nevada
Schedule 2.3 – Ten Largest Assessed Valuations
Current Year and Nine Years Ago (Unaudited)

| Taxpayer | 2016 | | | 2007 | | |
|--|-----------------------|------|--|-----------------------|------|--|
| | Assessed Valuation | Rank | Percent of Total Assessed Valuation | Assessed Valuation | Rank | Percent of Total Assessed Valuation |
| Northwestern Mutual Life Insurance Co. | \$ 17,862,158 | 1 | 0.72% | \$ 16,923,833 | 3 | 0.72% |
| ICON Reno Property Owner Pool 3 | 14,932,462 | 2 | 0.60% | - | - | - |
| BPH I LLC. | 13,998,453 | 3 | 0.57% | 13,226,369 | 5 | 0.56% |
| Prime Park Vista LLC | 13,541,222 | 4 | 0.55% | - | - | - |
| Inland American Sparks Crossing | 12,477,354 | 5 | 0.51% | - | - | - |
| Waterstone Village LLC | 12,465,658 | 6 | 0.50% | - | - | - |
| ICON Reno Property Owner Pool 2 | 12,043,625 | 7 | 0.49% | - | - | - |
| Oakmont Properties Trails | 12,011,883 | 8 | 0.49% | - | - | - |
| Sparks Family Hospital Inc | 11,670,771 | 9 | 0.47% | - | - | - |
| ICON PAC Nevada Pool 2 | 11,496,618 | 10 | 0.47% | - | - | - |
| Prologis NA3 LLC | - | - | - | 46,614,451 | 1 | 1.98% |
| Sparks Nugget, Inc. | - | - | - | 27,936,305 | 2 | 1.18% |
| AIG Baker Sparks, LLC | - | - | - | 14,064,626 | 3 | 0.60% |
| Kiley Ranch LLC | - | - | - | 12,580,856 | 6 | 0.53% |
| Prologis Trust | - | - | - | 12,183,660 | 7 | 0.52% |
| Centex Homes | - | - | - | 11,132,836 | 8 | 0.47% |
| US Inst Real Estate Equities LP | - | - | - | 10,778,086 | 9 | 0.46% |
| Reynem & Bardis LLC | - | - | - | 10,596,275 | 10 | 0.45% |
| Total, Ten Largest Taxpayers | 132,500,204 | | 5.36% | 176,037,297 | | 7.46% |
| Total, Other Taxpayers | 2,337,424,652 | | 94.64% | 2,183,279,400 | | 92.54% |
| Total Assessed Valuations | \$ 2,469,924,856 | | 100.00% | \$ 2,359,316,697 | | 100.00% |

Source: Washoe County Assessor

This list represents the ten largest property assessments based on property-owning taxpayers in the City. It is possible that an owner of several parcels may have an aggregate assessed value that is large than those listed above. This schedule does not include the City of Sparks Redevelopment Agency valuation.

City of Sparks, Nevada
Schedule 2.4 – Property Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

| Fiscal Year Ended June 30, | Current Year | | | | Totals to Date | |
|-------------------------------------|-----------------|--------------------|-------------------------------|----------------------------------|--------------------|-------------------------------|
| | Taxes Levied | Tax Collections | Percent of Taxes Levied | Delinquent Tax Collections | Tax Collections | Percent of Taxes Levied |
| 2016 | \$ 23,092,284 | \$ 23,012,450 | 99.65% | \$ - | \$ 23,012,450 | 99.65% |
| 2015 | 22,185,805 | 22,076,170 | 99.51% | 76,369 | 22,152,539 | 99.85% |
| 2014 | 22,220,370 | 21,302,629 | 95.87% | 908,353 | 22,210,982 | 99.96% |
| 2013 | 22,131,906 | 21,370,949 | 96.56% | 742,137 | 22,113,086 | 99.91% |
| 2012 | 21,867,752 | 21,720,508 | 99.33% | 133,228 | 21,853,736 | 99.94% |
| 2011 | 23,635,725 | 23,309,474 | 98.62% | 323,847 | 23,633,321 | 99.99% |
| 2010 | 26,557,900 | 26,036,651 | 98.04% | 519,900 | 26,556,551 | 99.99% |
| 2009 | 27,308,204 | 26,605,426 | 97.43% | 682,240 | 27,287,666 | 99.92% |
| 2008 | 25,041,290 | 24,353,835 | 97.25% | 670,319 | 25,024,154 | 99.93% |
| 2007 | 22,887,429 | 22,692,847 | 99.15% | 188,039 | 22,880,886 | 99.97% |

Note: Property taxes are collected by the County and remitted periodically throughout the fiscal year. Delinquent tax collections paid to the City in the current year are allocated to the year levied for this presentation. Includes Redevelopment Agency Areas No. 1 & 2.

| Fiscal Year Ended June 30, | General Bonded Debt | | | | | | | | |
|-------------------------------------|-----------------------|-------|---------------|-------|------------------|-------------------------------|---------------|-------------------------------------|-----------------------|
| | General Obligation | | Redevelopment | | Total General | Available to Repay General | Net General | Percentage of Actual Property | Per |
| | Bonds | Notes | Bonds | Notes | Bonded Debt | Bonded Debt | Bonded Debt | Value ⁽¹⁾ | Capita ⁽²⁾ |
| | | | | | | | | | |
| 2016 | \$ 1,035,000 | \$ - | \$ 43,497,856 | \$ - | \$ 44,532,856 | \$ 18,910,066 | \$ 25,622,790 | 0.36% | \$ 273.80 |
| 2015 | 2,025,000 | - | 46,722,399 | - | 48,747,399 | 17,298,588 | 31,448,811 | 0.49% | \$ 340.37 |
| 2014 | 2,975,000 | - | 55,592,348 | - | 58,567,348 | 22,921,066 | 35,646,282 | 0.59% | \$ 389.36 |
| 2013 | 3,890,000 | - | 58,713,918 | - | 62,603,918 | 22,373,617 | 40,230,301 | 0.63% | \$ 445.94 |
| 2012 | 4,770,000 | - | 61,675,488 | - | 66,445,488 | 23,585,259 | 42,860,229 | 0.67% | 464.35 |
| 2011 | 5,610,000 | - | 64,542,058 | - | 70,152,058 | 26,898,775 | 43,253,283 | 0.61% | 479.19 |
| 2010 | 6,415,000 | - | 67,468,628 | - | 73,883,628 | 3,564,616 | 70,319,012 | 1.00% | 770.73 |
| 2009 | 7,725,000 | - | 60,972,256 | - | 68,697,256 | 3,120,048 | 65,577,208 | 0.78% | 715.25 |
| 2008 | 8,855,000 | - | 23,905,000 | - | 32,760,000 | - | 32,760,000 | 0.42% | 366.24 |
| 2007 | 9,955,000 | - | 25,000,000 | - | 34,955,000 | - | 34,955,000 | 0.52% | 397.91 |

⁽¹⁾ See Schedule 2.1 for estimated actual property value.

⁽²⁾ See Schedule 4.1 for population and personal income data.

City of Sparks, Nevada
Schedule 3.1 – Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

| Other Governmental Activities Debt | | Business Type Activities | | Total Primary Government | Percentage of Personal Income ⁽²⁾ | Per Capita ⁽²⁾ |
|---------------------------------------|-------------------|---------------------------|---------------------------|--------------------------------|--|------------------------------|
| Revenue Bonds | Capital Leases | Sewer Utility Bonds | Sewer Utility Notes | | | |
| \$ 112,162,608 | \$ - | \$ 46,817,980 | \$ 6,356,605 | \$ 209,870,049 | 1.10% | \$2,242.66 |
| 115,117,114 | 171,670 | 32,329,748 | 7,057,710 | 203,423,641 | 1.07% | 2,201.65 |
| 117,730,620 | 744,875 | 35,923,567 | 7,739,883 | 220,706,293 | 1.28% | 2,567.89 |
| 119,952,126 | 1,292,535 | 39,407,646 | 8,403,635 | 231,659,860 | 1.41% | 2,728.29 |
| 121,953,240 | 1,891,690 | 42,785,394 | 9,049,464 | 242,125,276 | 1.41% | 2,728.29 |
| 123,674,746 | 2,464,385 | 46,060,110 | 9,680,647 | 252,031,946 | 1.26% | 2,828.41 |
| 124,766,252 | 3,011,794 | 47,391,756 | 10,292,425 | 259,345,855 | 1.11% | 2,694.78 |
| 124,684,114 | 3,576,062 | 44,443,986 | 10,607,736 | 252,009,154 | 0.51% | 1,195.52 |
| 15,425,177 | 4,332,661 | 45,485,848 | 11,606,160 | 109,609,846 | 0.54% | 1,214.58 |
| 15,885,178 | 5,542,427 | 40,170,551 | 12,089,873 | 108,643,029 | 0.53% | 1,197.01 |

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City of Sparks, Nevada
Schedule 3.2 – General Obligation Direct and Overlapping Debt
Year Ended June 30, 2016 (Unaudited)

| Name of Government Unit | Debt Outstanding | Presently Self-Supporting Debt Outstanding | Percent Applicable ⁽¹⁾ | Applicable Net Debt |
|---|-------------------------|---|--------------------------------------|------------------------|
| Direct | | | | |
| City of Sparks ⁽²⁾ | | | | |
| Governmental activity | | | | |
| Notes and capital leases | \$ 1,035,000 | \$ - | 100.00% | \$ 1,035,000 |
| Revenue bonds | 112,162,608 | 112,162,608 | 100.00% | - |
| Tax allocation bonds & notes | 43,497,856 | 43,497,856 | 100.00% | - |
| Total direct debt | <u>156,695,464</u> | <u>155,660,464</u> | | <u>1,035,000</u> |
| Overlapping | | | | |
| Washoe County School District | 464,146,000 | - | 14.49% | 67,254,755 |
| Washoe County | 153,136,000 | 41,744,000 | 14.49% | 16,140,701 |
| State of Nevada | <u>1,469,655,000</u> | <u>329,895,000</u> | 2.49% | <u>28,380,024</u> |
| Total overlapping debt | <u>2,086,937,000</u> | <u>371,639,000</u> | | <u>111,775,480</u> |
| Total general obligation direct and overlapping debt | <u>\$ 2,243,632,464</u> | <u>\$ 527,299,464</u> | | <u>\$ 112,810,480</u> |

Source: Washoe County Comptroller's Office; Washoe County School District; Reno/Sparks Convention & Visitors Authority; and the State of Nevada.

⁽¹⁾ Calculation based on present assessed valuation of Sparks compared to Washoe County and State of Nevada respectively.

⁽²⁾ Amounts are net of issuance discounts.

Legal Debt Margin Calculation for Fiscal Year Ended June 30, 2016

| | | | | |
|---|-----------------------|-----------------------|-----------------------|-------------------------|
| Assessed value of taxable property, including redevelopment | | | | <u>\$ 2,469,924,856</u> |
| Debt limit (20% of assessed value) | | | | \$ 493,984,971 |
| Debt applicable to limit | | | | |
| Governmental GO Debt | | | 1,035,000 | |
| Business-type Activities GO Debt | | | <u>46,817,980</u> | |
| Total Net Debt Subject to Limitation | | | | <u>47,852,980</u> |
| Legal debt margin | | | | <u>\$ 446,131,991</u> |
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Debt limit | \$ 493,984,971 | \$ 479,349,402 | \$ 434,121,479 | \$ 434,924,468 |
| Total net debt subject to limitation | <u>47,852,980</u> | <u>41,412,458</u> | <u>46,638,450</u> | <u>51,701,282</u> |
| Available General Obligation | | | | |
| Debt Limit | <u>\$ 446,131,991</u> | <u>\$ 437,936,944</u> | <u>\$ 387,483,029</u> | <u>\$ 383,223,186</u> |
| Total Net Debt Subject to Limitation | | | | |
| as a Percentage of Debt Limit | <u>9.7%</u> | <u>8.6%</u> | <u>10.7%</u> | <u>11.9%</u> |

Note: The legal debt limit is set forth in the City Charter Article VII Sec 7.010

Data is also available in published Debt Management Policy on file with the City of Sparks.

City of Sparks, Nevada
Schedule 3.3 – Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 454,847,772 | \$ 484,829,014 | \$ 533,284,495 | \$ 632,318,529 | \$ 577,133,630 | \$ 502,304,027 |
| <u>56,607,529</u> | <u>61,350,874</u> | <u>63,188,994</u> | <u>53,072,257</u> | <u>54,340,852</u> | <u>49,444,104</u> |
| <u>\$ 398,240,243</u> | <u>\$ 423,478,140</u> | <u>\$ 470,095,501</u> | <u>\$ 579,246,272</u> | <u>\$ 522,792,778</u> | <u>\$ 452,859,923</u> |
| <u>12.4%</u> | <u>12.7%</u> | <u>11.8%</u> | <u>8.4%</u> | <u>9.4%</u> | <u>9.8%</u> |

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City of Sparks, Nevada
Schedule 3.4 – Pledged Revenue Coverage
Last Ten Fiscal Years (Unaudited)

| Fiscal Year Ended June 30, | Pledged Revenue ⁽¹⁾ | Less: Operating Expenses ⁽²⁾ | Net Available Revenue | Debt Service Requirements | | | Coverage Ratios |
|-------------------------------------|-----------------------------------|---|-----------------------------|---------------------------|------------|--------------|--------------------|
| | | | | Principal | Interest | Total | |
| Sewer Utility Bonds ⁽³⁾ | | | | | | | |
| 2016 | \$ 27,458,269 | \$ 14,382,880 | \$ 13,075,389 | \$ 3,521,768 | \$ 907,329 | \$ 4,429,097 | 3.0 |
| 2015 | 25,717,679 | 13,434,169 | 12,283,510 | 3,593,820 | 964,405 | 4,558,225 | 2.7 |
| 2014 | 23,371,365 | 14,341,132 | 9,030,233 | 3,484,079 | 1,075,889 | 4,559,968 | 2.0 |
| 2013 | 23,097,560 | 15,017,616 | 8,079,944 | 3,377,748 | 1,183,914 | 4,561,662 | 1.8 |
| 2012 | 20,441,613 | 11,666,850 | 8,774,763 | 3,274,716 | 1,288,578 | 4,563,294 | 1.9 |
| 2011 | 19,542,426 | 12,398,442 | 7,143,984 | 2,877,236 | 1,380,953 | 4,258,189 | 1.7 |
| 2010 | 20,072,724 | 14,026,357 | 6,046,367 | 3,383,726 | 1,642,782 | 5,026,508 | 1.2 |
| 2009 | 21,035,781 | 14,014,230 | 7,021,551 | 3,980,586 | 1,781,264 | 5,761,850 | 1.2 |
| 2008 | 19,381,936 | 14,204,851 | 5,177,085 | 2,808,756 | 1,385,377 | 4,194,133 | 1.2 |
| 2007 | 18,141,126 | 11,944,393 | 6,196,733 | 1,766,263 | 1,121,948 | 2,888,211 | 2.1 |

⁽¹⁾ Pledged revenue for sewer utility bonds includes revenue derived from licenses and permits, sewer connection fees, and charges for services.

⁽²⁾ Operating expenses exclude depreciation, interest, and other non-operating expenses.

⁽³⁾ Details regarding the City's outstanding debt can be found in the notes to the financial statements.

| Fiscal Year Ended June 30, | Population ⁽¹⁾ | City Area Square Miles ⁽⁶⁾ | Total Personal Income ⁽³⁾ | Per Capita Personal Income ⁽³⁾ | Unemployment Rate ⁽⁴⁾ |
|----------------------------------|---------------------------|--|--|---|-------------------------------------|
| 2016 | 93,581 | 35.81 | \$ 19,165,475,745 | \$ 43,805 | 5.5% |
| 2015 | 92,396 | 35.81 | 19,089,119,268 | 43,311 | 6.7% |
| 2014 | 91,551 | 35.81 | 19,013,067,000 | 42,823 | 7.9% |
| 2013 | 90,214 | 35.81 | 18,868,025,416 | 43,317 | 9.7% |
| 2012 | 92,302 | 35.81 | 18,792,854,000 | 43,317 | 11.8% |
| 2011 | 90,264 | 35.81* | 18,258,112,000 | 42,524 | 13.0% |
| 2010 | 91,237 | 37.26 | 17,547,353,000 | 41,169 | 13.6% |
| 2009 | 91,684 | 36.44 | 17,037,671,000 | 40,394 | 11.7% |
| 2008 | 89,449 | 35.41 | 18,724,280,000 | 44,936 | 6.5% |
| 2007 | 87,846 | 34.11 | 18,660,662,000 | 45,446 | 4.4% |

* Copper Canyon Annexation detached to Washoe County FY 11

Sources:

⁽¹⁾ Nevada Department of Taxation population data base adjusted for years 2013-2016 on updated information.

⁽²⁾ City of Sparks, Revenue Division

⁽³⁾ U.S. Department of Commerce, Bureau of Economic Analysis, 2007-2014, for Reno/Sparks Metropolitan Area; Estimated for 2015 & 2016 as data was unavailable at time of publication. 2013 & 2014 updated by BEA from prior year.

⁽⁴⁾ State of Nevada, Department of Employment Training & Rehabilitation for Reno/Sparks Metropolitan Area

⁽⁵⁾ Washoe County School District, enrollment for 2016 is estimated. Official counts are not available at time of publication.

⁽⁶⁾ City of Sparks, Community Development Department

City of Sparks, Nevada
Schedule 4.1 – Demographic and Economic Statistics
Last Ten Fiscal Years (Unaudited)

| Public School Enrollment ⁽⁵⁾ | Business Licenses Issued ⁽²⁾ | Total Construction Permits ⁽⁶⁾ | Total Construction Value ⁽⁶⁾ |
|---|---|---|---|
| 19,063 | 6,966 | 3,712 | \$ 232,467,828 |
| 18,968 | 7,053 | 3,581 | 175,692,045 |
| 17,737 | 6,529 | 2,579 | 125,653,129 |
| 18,401 | 6,377 | 2,393 | 124,334,661 |
| 18,401 | 6,084 | 2,463 | 110,712,242 |
| 17,862 | 4,956 | 1,763 | 60,711,375 |
| 17,197 | 6,592 | 2,007 | 56,625,109 |
| 18,168 | 6,852 | 2,579 | 144,659,880 |
| 18,505 | 6,999 | 3,636 | 278,342,064 |
| 21,306 | 6,714 | 4,544 | 282,739,932 |

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City of Sparks, Nevada
Schedule 4.2 – Principal Employers
Current Year and Nine Years Ago (Unaudited)

| Employer | March, 2016 | | | 2007 | | |
|--|--------------------------|------|---|--------------------------|------|---|
| | Employees ⁽¹⁾ | Rank | Percentage of Total County ⁽²⁾ Employment | Employees ⁽¹⁾ | Rank | Percentage of Total County ⁽²⁾ Employment |
| Sparks Nugget, Inc. | 1000-1499 | 1 | 0.54% | 2000-2499 | 1 | 1.08% |
| United Parcel Service | 1000-1499 | 2 | 0.54% | 1000-1499 | 2 | 0.60% |
| City of Sparks | 600-699 | 3 | 0.28% | 900-999 | 3 | 0.46% |
| Henry Schein | 500-599 | 4 | 0.19% | 400-499 | 9 | 0.22% |
| Northern Nevada Medical Center | 500-599 | 5 | 0.19% | | | |
| Western Village Inn & Casino | 400-499 | 6 | 0.19% | - | - | - |
| Q&D Consturction | 400-499 | 7 | 0.19% | 600-699 | 4 | 0.31% |
| Rail City Casino | 300-399 | 8 | 0.15% | - | - | - |
| Sanmar Corporation | 300-399 | 9 | 0.15% | - | - | - |
| Wal-mart Superstore | 300-399 | 10 | 0.11% | 400-499 | 8 | 0.22% |
| Baldini's Sports Casino | - | - | - | 500-599 | 5 | 0.26% |
| Peppermill Casinos, Inc. | - | - | - | 500-599 | 6 | 0.26% |
| Sparks Family Hospital | | | | 400-499 | 7 | 0.22% |
| Granite Construction | - | - | - | 300-399 | 10 | 0.17% |
| Total Reno/Sparks Metropolitan Area Covered Employment ⁽²⁾ | 232,158 | | | 208,500 | | |

Source: Each of the two years reflect respective 1st quarter (March) information as compiled by the Nevada Department of Employment, Training, and Rehabilitation, Division of Labor Marketing.

⁽¹⁾ Nevada Revised Statutes Chapter 612 stipulate that actual employment for individual employers may not be published.

⁽²⁾ Total employment statistics are only available for the greater Reno/Sparks metropolitan area.

| Function | 2016 | 2015 | 2014 | 2013 |
|------------------------|-------|-------|------|-------|
| General government | 59.7 | 56.5 | 55 | 57.5 |
| Judicial | 17 | 15.5 | 15.5 | 15.5 |
| Public safety | 245.3 | 241 | 243 | 243 |
| Public works | 21.5 | 42.7 | 52.5 | 95.5 |
| Culture and recreation | 91 | 53 | 82 | 100.5 |
| Community support | 0 | 0 | 0 | 0 |
| Utilities | 93.6 | 91 | 77 | 37 |
| Development services | 23.9 | 18.5 | 18 | 10 |
| Total | 552.0 | 518.2 | 543 | 559 |

Source: City of Sparks Financial Services Department, Budget Document

City of Sparks, Nevada
Schedule 5.1 – Full Time Equivalent City Government Employees by Function
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------|-------|-------|-------|-------|-------|
| 57.5 | 69.5 | 77 | 62 | 73 | 78.7 |
| 15.5 | 15 | 17 | 17 | 17 | 18.5 |
| 243 | 235 | 249 | 322 | 322 | 351.7 |
| 95.5 | 22 | 42 | 50 | 50 | 61.0 |
| 100.5 | 140.5 | 172.5 | 156.3 | 156 | 207.8 |
| 0 | 0 | 0 | 0 | 0 | 0.0 |
| 37 | 82 | 86 | 118 | 118 | 109.8 |
| 10 | 15.5 | 5 | 10 | 10 | 11.0 |
| 559 | 579.5 | 648.5 | 735.3 | 746.0 | 838.5 |

| Function/Program | 2016 | 2015 | 2014 | 2013 |
|--|---------|--------|---------|---------|
| General Government | | | | |
| Business licenses issued ⁽³⁾ | 6,966 | 7,053 | 6,529 | 7,067 |
| Judicial ⁽¹⁾ | | | | |
| Municipal Court Cases Filed | | | | |
| Misdemeanor, non-traffic | 1,778 | 1,999 | 1,923 | 1,977 |
| Traffic and parking violations | 4,366 | 4,635 | 5,158 | 5,044 |
| Public Safety | | | | |
| Police ⁽⁵⁾ | | | | |
| Number of sworn personnel | 110 | 108 | 108 | 108 |
| Number of cases | 11,815 | 12,656 | 11,850 | 11,845 |
| Calls for service | 80,345 | 79,176 | 76,962 | 76,566 |
| Fire ⁽⁶⁾ | | | | |
| Number of firefighters | 86 | 86 | 87 | 87 |
| Emergency responses | 12,882 | 11,163 | 10,055 | 9,415 |
| Average response time (minutes) | 6.3 | 5.4 | 5.5 | 5.5 |
| Public Works ⁽⁷⁾ | | | | |
| Labor hours for graffiti removal | 1,623 | 2,180 | 2,427 | 2,045 |
| Pounds of material used for filling potholes | 13,365 | 15,211 | 16,254 | 112,979 |
| Tons of sand used during snow removal | 428 | 145 | 350 | 804 |
| Pounds of material used for pavement crack sealing | 205,705 | 57,756 | 283,600 | 255,159 |
| Street sweeper operator miles | 8,872 | 10,190 | 9,509 | 9,458 |
| Culture and Recreation ⁽⁸⁾ | | | | |
| Adult softball league number of participants | 71,211 | 67,692 | 82,840 | 78,086 |
| Before and after school program enrollment | 15,933 | 15,319 | 15,265 | 14,465 |
| Community "Fun Run" number of participants | 1,054 | 2,330 | 2,303 | 2,400 |
| Utilities | | | | |
| Sewer residential accounts ⁽³⁾ | 29,647 | 28,956 | 28,643 | 29,127 |
| Sewer commercial accounts ⁽³⁾ | 1,813 | 1,803 | 1,790 | 1,730 |
| Treatment Plant Flows (millions of gallons) ⁽⁴⁾ | 9,879 | 9,787 | 9,706 | 10,227 |
| Development Services ⁽²⁾ | | | | |
| Building permits issued | 3,712 | 3,581 | 2,579 | 2,393 |

NR = Not reported

Sources:

⁽¹⁾ Uniform System for Judicial Records, Nevada Administrative Office of the Courts (AOC), Planning and Analysis Division, Annual Report of the Nevada Judiciary, 1998-2006; City of Sparks Municipal Court, 2014

⁽²⁾ City of Sparks Community Development Department

⁽³⁾ City of Sparks Revenue Division.

⁽⁴⁾ Truckee Meadows Water Reclamation Facility (Plant Flows Billing Summary. Adjustment for FY 13 & FY 12)

⁽⁵⁾ City of Sparks Police Department

⁽⁶⁾ City of Sparks Fire Department

⁽⁷⁾ City of Sparks Public Works Department

⁽⁸⁾ City of Sparks Parks and Rec Department

City of Sparks, Nevada
Schedule 5.2 – Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------|---------|---------|---------|---------|----------|
| 6,084 | 4,956 | 6,592 | 6,850 | 6,999 | 6,714 |
| 1,999 | 2,320 | 2,575 | 2,404 | 1,949 | 2,291 |
| 4,945 | 7,618 | 8,297 | 8,079 | 8,426 | 9,115 |
| 105 | 105 | 116 | 116 | 118 | 111 |
| 11,598 | 12,400 | 14,422 | 17,177 | 18,049 | 18,672 |
| 79,568 | 77,554 | 81,531 | 86,066 | 89,978 | 92,001 |
| 87 | 89 | 89 | 91 | 108 | 114 |
| 8,831 | 8,198 | 7,698 | 7,610 | 7,829 | 7,834 |
| 5.4 | 4.9 | 5.0 | 4.9 | 5.0 | 4.6 |
| 1,369 | 1,854 | 2,025 | 2,060 | 2,456 | 2,111 |
| 154,592 | N/R | N/R | N/R | 70,319 | 41,835 |
| 187 | 452 | 1,098 | 964 | 1,263 | 626 |
| 152,445 | 168,147 | 171,817 | 168,448 | 202,304 | 209,458 |
| 1,372 | 700 | 698 | 690 | 670 | 662.0 |
| 69,436 | 65,839 | 69,942 | 73,647 | 73,239 | 83,118 |
| 14,302 | 12,010 | 12,087 | 12,844 | 16,108 | 15,707 |
| 1,885 | 1,739 | 1,820 | 1,994 | 2,062 | 2,351 |
| 28,975 | 28,794 | 28,669 | 28,477 | 28,342 | 27,243 |
| 1,723 | 1,709 | 1,701 | 1,687 | 1,656 | 1,627 |
| 10,659 | 9,626 | 9,716 | 10,237 | 10,744 | 10,292.3 |
| 2,463 | 1,763 | 2,007 | 2,579 | 3,636 | 4,544 |

| Function/Program | 2016 | 2015 | 2014 | 2013 |
|--|-------|-------|-------|-------|
| General Government | | | | |
| City owned facilities ⁽¹⁾ | 48 | 48 | 48 | 48 |
| Number of networked computers ⁽⁵⁾ | 460 | 408 | 352 | 352 |
| Public Safety | | | | |
| Police ⁽²⁾ | | | | |
| Marked police vehicles | 30 | 30 | 30 | 29 |
| Police motorcycles | 6 | 5 | 5 | 5 |
| Fire ⁽³⁾ | | | | |
| Fire stations | 5 | 5 | 5 | 5 |
| Fire engines | 17 | 17 | 17 | 17 |
| Public Works ⁽¹⁾ | | | | |
| Paved streets (miles) | 734.1 | 656.0 | 656.0 | 656.0 |
| Culture and Recreation ⁽⁴⁾ | | | | |
| Parks | 52 | 56 | 56 | 56 |
| Acreage of parks - developed | 616.0 | 591.0 | 591.0 | 591.0 |
| Acreage of parks - undeveloped | 582.4 | 616.0 | 616.0 | 693.7 |
| Swimming pools - outdoors | 1 | 1 | 1 | 1 |
| Swimming pools - indoors | 2 | 2 | 2 | 2 |
| Athletic Fields - lighted | 26 | 26 | 26 | 26 |
| Athletic Fields - unlighted | 28 | 28 | 28 | 28 |
| Tennis courts - lighted | 12 | 12 | 12 | 12 |
| Tennis courts - unlighted | 3 | 3 | 3 | 3 |
| Basketball courts - lighted | 1 | 1 | 1 | 1 |
| Basketball courts - unlighted | 34 | 34 | 34 | 34 |
| Community centers | 3 | 3 | 3 | 4 |
| Rodeo arenas | 0 | 0 | 0 | 0 |
| Sand volleyball courts | 12 | 7 | 8 | 10 |
| Utilities ⁽¹⁾ | | | | |
| Sewer lines (miles) | 357.5 | 356.1 | 395.0 | 346.8 |
| Storm drains (miles) | 254.7 | 253.7 | 250.0 | 248.6 |

NR = Not reported

Sources:

⁽¹⁾ City of Sparks Public Works Department

⁽²⁾ City of Sparks Police Department

⁽³⁾ City of Sparks Fire Department

⁽⁴⁾ City of Sparks Parks and Rec Department

⁽⁵⁾ City of Sparks Information Technology Department

City of Sparks, Nevada
Schedule 5.3 – Capital Assets Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------|-------|-------|-------|-------|-------|
| 48 | 48 | 48 | 48 | 48 | 45 |
| 352 | 400 | 463 | 463 | 463 | 484 |
| 29 | 29 | 29 | 29 | 29 | 29 |
| 5 | 5 | 6 | 5 | 5 | 5 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 17 | 17 | 17 | 15 | 15 | 15 |
| 656.0 | 656.0 | 656.0 | 652.0 | 665.0 | 662.0 |
| 56 | 55 | 55 | 55 | 55 | 53 |
| 591.0 | 587.0 | 583.0 | 577.9 | 576.0 | 434.5 |
| 697.0 | 697.0 | 697.7 | 699.7 | 419.0 | 561.4 |
| 1 | 2 | 2 | 2 | 2 | 2 |
| 2 | 1 | 1 | 1 | 1 | 1 |
| 24 | 24 | 24 | 24 | 24 | 17 |
| 28 | 28 | 14 | 14 | 14 | 14 |
| 12 | 12 | 12 | 12 | 12 | 12 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 34 | 34 | 21 | 21 | 21 | 21 |
| 4 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 10 | 10 | 10 | 10 | 10 | 6 |
| 346.8 | 344.8 | 345.8 | 337.1 | 327.4 | 309.3 |
| 248.6 | 247.3 | 246.0 | 231.6 | 211.3 | 179.3 |

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Compliance Section

City of Sparks, Nevada

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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 Sparks, Nevada
Sparks, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sparks, Nevada as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Sparks, Nevada's basic financial statements and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Sparks, Nevada's internal control over financial reporting (internal control) as a basis for designing 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 Sparks, Nevada's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sparks, Nevada's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2016-A, 2016-B, and 2016-C that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2016-D to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sparks, Nevada's financial statements are free from 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*.

City of Sparks, Nevada's Responses to Findings

City of Sparks, Nevada's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. City of Sparks, Nevada's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 City of Sparks, Nevada'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 City of Sparks, Nevada's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 29, 2016

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited City of Sparks, Nevada's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance 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 and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Reno, Nevada
November 29, 2016

City of Sparks, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

| Federal Grantor/Program Title/Cluster/Pass-through Grantor | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures | Payments to Subrecipients |
|--|---------------------------|-------------------------------------|-------------------------|------------------------------|
| U.S. Department of Housing and Urban Development | | | | |
| Direct Award | | | | |
| CDBG - Entitlement Grants | | | | |
| Community Development Block Grants / Entitlement Grants | 14.218 | B-15-MC-32-0004 | \$ 267,129 | \$ 14,997 |
| Community Development Block Grants / Entitlement Grants | 14.218 | B-14-MC-32-0004 | 330,128 | 13,500 |
| Community Development Block Grants / Program Income | 14.218 | -- | 59,104 | - |
| Total U.S. Department of Housing and Urban Development | | | 656,360 | 28,497 |
| U.S. Department of Justice | | | | |
| Direct Award | | | | |
| Office of Justice Programs / Bureau of Justice Assistance | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2014 / 2015 BVP | 15,038 | - |
| Public Safety Partnership and Community Policing | 16.710 | 2015UMWX0047 | 48,358 | - |
| Equitable Sharing Program | 16.922 | 091002 | 260,766 | - |
| | | | 324,162 | - |
| Pass-through from City of Reno | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 15-JAG-27 | 3,212 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 14-JAG-23 | 1,310 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 15-JAG-26 | 1,229 | - |
| Pass-through from State of Nevada | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 12-JAG-33 | 29,657 | - |
| | | | 35,408 | - |
| Pass-through from State of Nevada Office of the Attorney General | | | | |
| Violence Against Women Formula Grant | 16.588 | 2015-VAWAWC-10 | 24,438 | - |
| Pass-through from Join Together Northern Nevada | | | | |
| Violence Against Women Formula Grant | 16.727 | JUVDRINK | 2,006 | - |
| Total U.S. Department of Justice | | | 386,014 | - |
| U.S. Department of Transportation | | | | |
| Pass-through from State of Nevada | | | | |
| Department of Public Safety, Office of Traffic Safety | | | | |
| Highway Safety Cluster: | | | | |
| State Traffic Safety Information System Improvement Grants | 20.610 | LFD-2015-SPD-00043 | 5,800 | - |
| National Priority Safety Programs | 20.616 | JF-2015-SPD-00003 | 5,250 | - |
| State and Community Highway Safety | 20.600 | JF-2015-SPD-00003 | 1,426 | - |
| National Priority Safety Programs | 20.616 | JF-2016-SPD-00005 | 14,836 | - |
| State and Community Highway Safety | 20.600 | JF-2016-SPD-00005 | 40,676 | - |
| | | | 67,988 | - |
| Department of Transportation | | | | |
| Highway Planning and Construction Cluster: | | | | |
| Highway Planning and Construction | 20.205 | P188-15-063 | 125,000 | - |
| Highway Planning and Construction | 20.205 | P189-15-063 | 135,000 | - |
| | | | 260,000 | - |
| Pass-through from City of Reno | | | | |
| National Motor Carrier Safety | 20.218 | FM-MHP-0232-15-01-00 | 3,524 | - |
| Total U.S. Department of Transportation | | | 331,512 | - |

City of Sparks, Nevada
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

| Federal Grantor/Program Title/Cluster/Pass-through Grantor | Federal CFDA Number | Agency or Pass-Through Number | Federal Expenditures | Payments to Subrecipients |
|--|---------------------------|-------------------------------------|----------------------------|------------------------------|
| U.S. Department of Health and Human Services | | | | |
| Pass-through from City of Reno | | | | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | SP019197 | \$ 735 | \$ - |
| Total U.S. Department of Health and Human Services | | | <u>735</u> | <u>-</u> |
| Executive Office of the President | | | | |
| Pass-through from Las Vegas Metropolitan Police Department | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | G14NV0001A | 7,105 | - |
| Total Executive Office of the President | | | <u>7,105</u> | <u>-</u> |
| U.S. Department of Homeland Security | | | | |
| Direct Award | | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2013-FO-04521 | 50,827 | - |
| Total U.S. Department of Homeland Security | | | <u>50,827</u> | <u>-</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 1,432,553</u></u> | <u><u>\$ 28,497</u></u> |

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

This Schedule of Expenditures of Federal Awards (SEFA) includes the Federal grant activity of the City of Sparks, Nevada and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The City of Sparks, Nevada received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B - Significant Accounting Policies

Governmental fund types primarily account for the City's federal grant activity. Therefore, expenditures in the SEFA are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements.
The City has not elected to use the 10% de minimus cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | Yes |
| Significant deficiencies not considered to be material weaknesses? | Yes |
| Noncompliance material to financial statements notes? | No |

Federal Awards

| | |
|--|------------|
| Internal control over major program: | |
| Material weaknesses identified? | No |
| Significant deficiencies not considered to be material weaknesses? | Yes |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516? | Yes |

Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number</u> |
|--|--------------------|
| CDBG - Entitlement Grants Cluster | |
| Community Development Block Grants/Entitlement Grants | 14.218 |
| Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| Auditee qualified as a low-risk auditee? | No |

Section II – Financial Statement Findings

2016-A Financial Statement Preparation and Application of Generally Accepted Accounting Principles Material Weakness

| | |
|--------------------------------------|---|
| <i>Criteria</i> | Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. One of the key components of an effective system of internal control over financial reporting is having the capability to prepare full disclosure financial statements in accordance with generally accepted accounting principles (GAAP). |
| <i>Condition</i> | The City does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited in all material respects. In conjunction with the completion of our audit, we were requested to draft the financial statements, assist with the conversion of the fund financial statements to government-wide financial statements, and prepare some of the accompanying notes to those financial statements. In addition, we proposed a material audit adjustment to correct an error described in finding 2016-C as a prior period adjustment. Although the preparation of financial statements as a part of the audit engagement is not unusual, it may result in financial statements and related information including in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. In addition, the absence of controls over the preparation of the financial statements and related financial statement disclosures increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected in a timely manner. It is the responsibility of those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations. |
| <i>Cause</i> | Due to a shortage of personnel with the ability to prepare full disclosure financial statements, the City has chosen to contract with Eide Bailly LLP to prepare its financial statements and related financial statement disclosures. However, the Financial Services Department management have not implemented sufficient procedures to capture the necessary information needed for the financial statements and related disclosures to be prepared in all material respects. |
| <i>Effect</i> | The City's financial records required a material audit adjustment in order for the financial statements to be in accordance with GAAP. Internally prepared financial information may not be accurate and full disclosure financial statements may not be available as timely as they would be if prepared by City personnel. |
| <i>Recommendation</i> | We recommend City staff continue to obtain training in the preparation of financial statements and related financial statement disclosures in order to gain the knowledge needed to prepare the financial statements and related financial statement disclosures in all material respects. |
| <i>View of Responsible Officials</i> | Management agrees with this finding. |

**2016-B Ownership Allocation – City Investment in TMWRF
Material Weakness**

| | |
|---------------------------------------|--|
| <i>Criteria</i> | An important component of internal control over financial reporting is maintenance of appropriate records to adequately account for the activities of the Truckee Meadows Water Reclamation Facility (TMWRF), given joint ownership of TMWRF between the City of Sparks and the City of Reno. Specifically, management of the City of Sparks, who are responsible for the daily recordkeeping of TMWRF, should have controls in place to accurately track ownership interest in order for each the cities of Sparks and Reno to accurately report their investment in TMWRF in their respective books and records. |
| <i>Condition</i> | Management reviewed TMWRF's capital asset subledger for accumulated depreciation allocations between the City of Sparks and City of Reno and determined the allocation percentages used to record annual depreciation expense and the accumulated depreciation did not match the allocation percentage of the respective capital asset. |
| <i>Cause</i> | Inadequate calculation of depreciation expense between the City of Sparks and City of Reno. |
| <i>Effect</i> | The City of Sparks' investment in TMWRF was understated by a material amount, resulting in a material adjustment to the City of Sparks' books and records to correct the error. |
| <i>Recommendation</i> | We recommend the City of Sparks' Financial Services Department utilize its capital asset reporting system for TMWRF to allocate depreciation expense between the two cities based on the allocation percentages used to acquire the capital assets. |
| <i>Views of Responsible Officials</i> | Management agrees with this finding. |

**2016-C Workers' Compensation Claims Liability
Material Weakness**

| | |
|------------------|--|
| <i>Criteria</i> | Management's consideration of accounting estimates, including the assumptions, inclusion of all factors, and judgments are a key component of internal control over financial reporting. |
| <i>Condition</i> | The City of Sparks determined that the previously reported liability for its workers compensation incurred but not reported liability (IBNR) was not inclusive of all factors required to be considered, including the expected future development on claims already reported. |
| <i>Cause</i> | Inadequate consideration of all factors in estimating the City's workers' compensation IBNR liability. |

Effect The City's workers' compensation liability was understated by a material amount, resulting in a material prior period adjustment to the City's books and records to correct the error.

Recommendation We recommend the City's Financial Services Department consider all relevant factors and assumptions when recording significant estimates.

Views of Responsible Officials Management agrees with this finding.

**2016-D Computer Controls for Secondary Review of Journal Entries and Data Input
Significant Deficiency**

Criteria The design of system controls requiring secondary review of adjustments/postings to the financial reporting software should be in place to provide safeguards over City assets and reduce the risk of misstatements in financial reporting for the City.

Condition Journal entries posted by key City of Sparks Financial Services Department management personnel is such that the system will allow journal entries to be posted without secondary review of those entries. Also, budgetary balances and adjustments posted by key Financial Services Department management personnel are posted without secondary review of those entries.

Cause Inadequate design of information technology application controls to detect and correct unauthorized transactions in the City of Sparks' financial reporting software, as general journal entries and budget balances can be posted in the general ledger without secondary review.

Effect Unauthorized or inaccurate transactions could occur in the City's financial reporting software and not be detected.

Recommendation Management should examine controls over financial reporting software and implement secondary approval of adjustments/postings in the financial reporting software.

Views of Responsible Officials Management disagrees with this finding.

Section III – Federal Award Findings and Questioned Costs

**2016-001 U.S. Department of Housing and Urban Development:
Community Development Block Grant – Entitlement Grants Cluster:
Community Development Block Grants/Entitlement Grants, CFDA 14.218**

**Special Tests – Wage Rate Requirements
Significant Deficiency in Internal Control Over Compliance**

| | |
|--|---|
| <i>Grant Award Number</i> | Potentially affects all grant awards included under CFDA 14.218 on the Schedule of Expenditures of Federal Awards. |
| <i>Criteria</i> | 2 CFR Part 200 (<i>Uniform Guidance</i>) requires that non-Federal entities include in their construction contracts, a requirement that the contractor complies with the requirements of the Department of Labor regulations regarding Wage Rate Requirements. This includes a requirement for the contractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). |
| <i>Condition</i> | Our testing of the one construction contract included reviewing the bid document and contract for the Wage Rate Requirement provisions, and reviewing the payroll data received and monitored by City of Sparks for the contractor. We noted several instances where the payrolls were received by the City more than one week after the end of the contractor's weekly payroll. Additionally, the date received was not documented on several of the payroll submissions, therefore, it is undeterminable if these were received in a timely manner. |
| <i>Cause</i> | Adequate control procedures were not in place to ensure that all required certified payrolls were timely received as prescribed. |
| <i>Effect</i> | Material noncompliance by a contractor or subcontractor could occur and not be detected or followed up on by the City in a timely manner. |
| <i>Questioned Costs</i> | None reported. |
| <i>Context/Sampling</i> | No sampling was performed, given that only one construction contract was eligible for testing over Wage Rate Requirement provisions. |
| <i>Repeat Finding from Prior Year(s)</i> | Yes – Finding 2015-001. |
| <i>Recommendation</i> | We recommend that the City enhance procedures to ensure that certified payrolls are received as required. |
| <i>Views of Responsible Officials</i> | Management agrees with the finding. |



**City of Sparks Comprehensive Annual Financial Report
Corrective Action Plan for Audit Findings
June 30, 2016**

Financial Statement Findings

Finding Number: 2016-A* **Financial Statement Preparation and Application of Generally Accepted Accounting Principles*

Corrective Action Planned: City staff have the ability to prepare full disclosure financial statements, but lack the number of staff to implement this change. Partial preparation of financial statements has been outsourced for purposes of cost savings. City staff are currently researching ways to automate this process so that full financial preparation can be streamlined in the future.

Responsible Person: Jeff Cronk, CPA, Financial Services Director

Does the City Agree with the finding: ☒ Yes ☐ No ☐ Partially

If No or Partial, please explain the reason(s) why: N/A

Anticipated completion date: 06/30/2019

Finding Number: 2016-B* **Ownership Allocation -- City Investment in TMWRF*

Corrective Action Planned: This correction was discovered by City management and implemented in FY '16, and management will continue to determine the correct allocation of depreciation by utilizing our capital asset reporting system.

Responsible Person: Jeff Cronk, CPA Financial Services Director

Does the City Agree with the finding: ☒ Yes ☐ No ☐ Partially

If No or Partial, please explain the reason(s) why: N/A

Anticipated completion date: 06/30/2016



Finding Number: 2016-C **Workers' Compensation Claims Liability**

Corrective Action Planned: City management now has access to all pertinent data via a full actuarial review whereas only partial actuarial data had been available in prior years. The City will continue to obtain a complete actuarial review each year.

Responsible Person: Jeff Cronk, CPA, Financial Services Director

Does the City Agree
with the finding: ☒ Yes ☐ No ☐ Partially

If No or Partial, please
explain the reason(s) why: N/A

Anticipated completion date: 06/30/2016

Finding Number: 2016-D **Computer Controls for Secondary Review of Journal Entries and Data Input**

Corrective Action Planned: N/A

Responsible Person: Jeff Cronk, CPA, Financial Services Director

Does the City Agree
with the finding: ☐ Yes ☒ No ☐ Partially

If No or Partial, please
explain the reason(s) why: City management believes current staffing levels are insufficient to implement secondary review of all journal and budget entries posted by senior Financial Services Department personnel. Alternatively, other procedures are utilized to ensure accounting and budgeting accuracy such as general ledger account reviews and various reconciliations performed by separate accounting and budget personnel which would make secondary approval of journal and budget entries initiated by senior personnel inefficient and unnecessary.

Anticipated completion date: N/A



Federal Award Findings

***Finding Number: 2016-001* U.S. Department of Housing and Urban Development
Special Tests – Wage Rate Requirements**

Corrective Action Planned: Management will continue to work with contractors to ensure they understand the need for weekly rather than monthly reports.

Responsible Person: Jeff Cronk, CPA, Financial Services Director

Does the City Agree
with the finding: ☒ Yes ☐ No ☐ Partially

If No or Partial, please
explain the reason(s) why: N/A

Anticipated completion date: 06/30/2016

**2015-A Financial Statement Preparation and Application of Generally Accepted Accounting Principles (GAAP)
Material Weakness**

Initial Fiscal year
Finding Occurred: 2015

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited in all material respects. In conjunction with the completion of our audit, we were requested to draft the financial statements, assist with the conversion of the fund financial statements to government-wide financial statements, and prepare some of the accompanying notes to those financial statements. In addition, we proposed material audit adjustments in order for the financial statements to be reported in accordance with GAAP in all material respects.

Status: Repeated as finding 2016-A in the current year Schedule of Findings and Questioned Costs.

**2015-B Physical Inventory of Capital Assets
Material Weakness**

Initial Fiscal year
Finding Occurred: 2015

Finding Summary: The City of Sparks determined that certain land parcels recorded in the Washoe County, Nevada Assessor's records as owned by the City of Sparks were not recorded in the City's capital asset subledger. The City of Sparks' recorded a material adjustment to the beginning of year land and net position balances.

Status: Corrected.

**2015-C Computer Controls for Secondary Review of Journal Entries and Data Input
Significant Deficiency**

Initial Fiscal year
Finding Occurred: 2008

Finding Summary: Journal entries posted by key City of Sparks Financial Services Department management personnel is such that the journal entries are posted without secondary review of those entries. Also, budgetary balances and adjustments posted by key Financial Services Department management personnel are posted without secondary review of those entries.

Status: Repeated as finding 2016-D in the current year Schedule of Findings and Questioned Costs.

**2015-001 U.S. Department of Housing and Urban Development:
Community Development Block Grant – Entitlement Grants Cluster:
Community Development Block Grants/Entitlement Grants, CFDA 14.218**

**Special Tests – Wage Rate Requirements
Significant Deficiency in Internal Control Over Compliance**

*Initial Fiscal Year
Finding Occurred:*

2015

Finding Summary:

Although the certified weekly payrolls were received as required, we noted several instances where the payrolls were received by the City more than one week after the end of the contractor's weekly payroll, given that payroll submissions by the contractor were being performed on a monthly basis.

Status:

Not corrected. Payroll submissions were not received timely during the fiscal year. Repeated as finding 2016-001 in the schedule of findings and questioned costs.

**2015-002 U.S. Department of Housing and Urban Development:
Community Development Block Grant – Entitlement Grants Cluster:
Community Development Block Grants/Entitlement Grants, CFDA 14.218**

**Reporting
Significant Deficiency**

*Initial Fiscal Year
Finding Occurred:*

2014

Finding Summary:

During review of the 2013 program year PR26 – CDBG Financial Summary Report that was submitted during fiscal year 2015, we noted that the City improperly reported grant expenditures for public service activities incurred in fiscal year 2013, as fiscal year 2014 expenditures.

Status:

Corrected

Auditor's Comments

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

In connection with our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sparks (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, nothing came to our attention that caused us to believe that the City failed to comply with the specific requirements of Nevada Revised Statutes cited below other than the violations reported in Note 2 to the financial statements. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance

There were no potential statute violations reported in the June 30, 2015 report.

Prior Year Recommendations

See the Summary Schedule of Prior Year Audit Findings and Questioned Costs.

Current Year Recommendations

Our current year recommendations are included in the Schedule of Findings and Questioned Costs.

Nevada Revised Statute 354.6115

A fund was created in accordance with Nevada Revised Statute 354.6115, "Fund to stabilize operations of local government and mitigate effects of natural disaster". Funds deposited and/or accumulated in the Stabilization Special Revenue Fund for budget stabilization can only be used if the conditions described in Note 10 are present.



Reno, Nevada
November 29, 2016