

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 2, 2018

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: S&P: "AA-"
Moody's: "A1"
See "RATINGS"**

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that for taxable years of corporations beginning before January 1, 2018, such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS--Federal Tax Matters."

\$4,875,000*

**CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2018A**

Dated: Date of Delivery

Due: November 1, as shown herein

The Bonds are issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See APPENDIX C--Book-Entry Only System. The Bonds bear interest at the rates set forth herein, to and including the maturity dates herein (unless the Bonds are redeemed earlier), to the registered owners of the Bonds (initially Cede & Co.). Interest on the Bonds is payable semiannually on May 1 and November 1 of each year, commencing November 1, 2018. The principal of the Bonds will be payable upon presentation and surrender at the principal office of ZB, N.A. dba Zions Bank, Los Angeles, California, or its successor as the paying agent for the Bonds. See "THE BONDS."

The maturity schedule for the Bonds appears on the inside cover page of this Official Statement.

The Bonds are subject to redemption prior to maturity at the option of the City as described in "THE BONDS--Redemption Provisions." At the option of the winning bidder, certain of the Bonds may also be subject to mandatory sinking fund redemption. See "APPENDIX G--OFFICIAL NOTICE OF BOND SALE."

Proceeds of the Bonds will be used to: (i) finance certain improvements to the Utility System (defined herein); and (ii) pay the costs of issuing the Bonds. See "SOURCES AND USES OF FUNDS."

The Bonds constitute direct and general obligations of Carson City, Nevada (the "City") and the full faith and credit of the City is pledged for the payment of principal and interest thereon, subject to the limitations imposed by the constitution and laws of the State of Nevada. See "SECURITY FOR THE BONDS--GENERAL OBLIGATION."

The Bonds are additionally secured by a lien on the Pledged Revenues, which consists of all income and revenue derived by the City from the operation of the Utility System (defined herein) after deduction of Operation and Maintenance Expenses (defined herein), with a lien priority as described herein. See "ADDITIONAL SECURITY FOR THE BONDS."

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as, and if issued and accepted by the initial purchaser, subject to the approval of legality of the Bonds by Sherman & Howard L.L.C., Reno, Nevada, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. has also acted as special counsel to the City in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the City by the District Attorney. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about April 4, 2018.*

*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of such jurisdiction.

MATURITY SCHEDULE
(CUSIP© 6-digit issuer number: _____)

\$4,875,000*
CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2018A

<u>Maturing</u> <u>(November 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>	<u>CUSIP©</u> <u>Issue</u> <u>Number</u>
2020	\$185,000			
2021	195,000			
2022	200,000			
2023	210,000			
2024	220,000			
2025	230,000			
2026	235,000			
2027	245,000			
2028	255,000			
2029	270,000			
2030	280,000			
2031	295,000			
2032	310,000			
2033	325,000			
2034	335,000			
2035	350,000			
2036	360,000			
2037	375,000			

*Preliminary; subject to change.

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by Carson City, Nevada (the "City"). The City provides certain information to the public on the internet; however, such information is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

The information set forth in this Official Statement has been obtained from the City and from the other sources referenced throughout this Official Statement, which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information received from parties other than the City. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE INITIAL PURCHASER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE INITIAL PURCHASER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE INITIAL PURCHASER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CARSON CITY, NEVADA

Mayor and Board

Robert Crowell, Mayor
Karen Abowd
Brad Bonkowski
Lori Bagwell
John Barrette

City Officials

Nick Marano, City Manager
Gayle Robertson, Treasurer
Sue Merriwether, Clerk-Recorder
Jason Link, Chief Financial Officer
Jason Woodbury, District Attorney

FINANCIAL ADVISOR

JNA Consulting Group, LLC
Boulder City, Nevada

BOND AND SPECIAL COUNSEL

Sherman & Howard L.L.C.
Reno, Nevada

REGISTRAR AND PAYING AGENT

ZB, NA dba Zions First National Bank
Los Angeles, California

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
General	1
The City	1
The Bonds; Prior Redemption	1
Authority for Issuance.....	2
Purpose.....	2
Security	2
Professionals	3
Tax Matters	3
Continuing Disclosure Undertaking	4
Certain Bondholder Risks	4
Forward-Looking Statements.....	4
Secondary Market	5
Additional Information	5
SOURCES AND USES OF FUNDS	6
Sources and Uses of Funds	6
The Project	6
THE BONDS	7
General.....	7
Payment Provisions.....	7
Redemption Provisions	8
Tax Covenant.....	9
Defeasance	10
Book-Entry Only System.....	10
DEBT SERVICE REQUIREMENTS.....	11
The Bonds	11
SECURITY FOR THE BONDS - GENERAL OBLIGATION	12
General Obligation.....	12
Certain Risks Associated With Property Taxes	12
No Pledge of Property.....	13
Limitation of Remedies.....	13
Future Changes in Laws.....	13
ADDITIONAL SECURITY FOR THE BONDS	15
Pledged Revenues	15
Parity Securities	15
Certain Risks Associated With Pledged Revenues	16
Historical and Estimated Pledged Revenues.....	18
The Utility System	19
Utility System Facilities.....	20
Capital Improvement Program.....	21
Customer Usage Rates and Charges	22
Connection Charges	23
Customer Information.....	24
Billing and Collection.....	26

Combined History of Sewer Fund and Drainage Fund Revenues and Expenses	26
Additional Bonds	28
PROPERTY TAX INFORMATION	30
Property Tax Base and Tax Roll	30
History of Assessed Value	31
Property Tax Collections	31
Largest Taxpayers	32
Property Tax Limitations	33
Required Property Tax Abatements	35
Overlapping Tax Rates and General Obligation Indebtedness	35
Selected Debt Ratios	37
THE CITY	38
General	38
Governing Body	38
Administration	38
Employee Relations and Pension Benefits	39
CITY FINANCIAL INFORMATION	45
Annual Reports	45
History of City Revenues and Expenditures	45
Management’s Discussion and Analysis	47
Investment Policy	47
Risk Management	47
DEBT STRUCTURE	49
Debt Limitation	49
Outstanding Debt and Other Obligations	49
Additional Contemplated Indebtedness	51
Annual Debt Service Requirements	52
TAX MATTERS	55
Federal Tax Matters	55
State Tax Exemption	57
LEGAL MATTERS	57
Litigation	57
Approval of Certain Legal Proceedings	57
Police Power	57
Sovereign Immunity	57
RATINGS	58
INDEPENDENT AUDITORS	58
FINANCIAL ADVISOR	58
PUBLIC SALE	58
OFFICIAL STATEMENT CERTIFICATION	59

APPENDIX A	Audited Basic Financial Statements of the City for the Fiscal Year Ended June 30, 2017	A-1
APPENDIX B	- Summary of Certain Provisions of the Bond Ordinance	B-1
APPENDIX C	- Book-Entry Only System.....	C-1
APPENDIX D	- Form of Continuing Disclosure Certificate.....	D-1
APPENDIX E	- Form of Approving Opinion of Bond Counsel.....	E-1
APPENDIX F	- Economic and Demographic Information.....	F-1
APPENDIX G	- Official Notice of Bond Sale.....	G-1

INDEX OF TABLES

NOTE: Tables marked with one or more asterisks indicate Annual Financial Information to be updated by the City pursuant to SEC Rule 15c2-12, as amended. See “INTRODUCTION--Continuing Disclosure Undertaking” and APPENDIX D--Form of Continuing Disclosure Certificate. *Only historical and not estimated or budgeted data in such tables is required to be updated.*

	<u>Page</u>
Sources and Uses of Funds	6
Bonds - Debt Service Requirements	11
*Parity Securities	16
*Historical and Budget Pledged Revenues and Debt Service Coverage	19
Capital Improvement Program Fiscal Years 2018-2022	21
*Sewer Service Charges – Residential	22
*Sewer Service Charges – Commercial.....	23
*Monthly Drainage Service Charge.....	23
*Current Customer Information.....	25
*Sewer System Revenues by Customer Class	25
*Ten Largest Sewer System Customers	26
*Sewer Fund and Drainage Fund Summary of Combined Revenues, Expenses and Changes in Net Position and Fiscal Year 2018 Budget	27
*History of Assessed Value	31
*Property Tax Levies, Collections and Delinquencies	32
*Ten Largest Taxpayers in the City.....	33
*History of Statewide Average and Sample Overlapping Property Tax Rates	36
Estimated Overlapping Net General Obligation Indebtedness	36
Net Direct & Overlapping General Obligation Indebtedness	37
Selected Direct General Obligation Debt Ratios	37
*General Fund Summary of Revenues, Expenditures and Changes in Fund Balance	46
*Statutory Debt Limitation	49
*Outstanding General Obligation Debt and Other Obligations	50
*Annual Debt Service Requirements - General Obligation Bonds	53

OFFICIAL STATEMENT

\$4,875,000*

**CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2018A**

INTRODUCTION

General

This Official Statement, including the cover page and the appendices, is furnished by Carson City, Nevada (the “City”), to provide information about the City’s \$4,875,000* General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A (the “Bonds”). The Bonds will be issued pursuant to an ordinance adopted by the Board of Supervisors of the City (the “Board”) on March 1, 2018 (the “Bond Ordinance”). Capitalized terms used herein that are otherwise not defined have the meanings ascribed to them in the applicable Bond Ordinance.

The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and the appendices, is unauthorized.

The City

In 1969, the City was organized as a consolidated municipality combining the incorporated City with the former Ormsby County. The City is organized and operates under a charter (the “Charter”) granted by the State Legislature (the “Legislature”). The City is situated in northwestern Nevada, approximately 30 miles south of Reno, Nevada and 14 miles east of Lake Tahoe. The City is the capital of the State of Nevada (the “State”) and the seat of State government. The total area of the City is approximately 147 square miles. The Nevada State Demographer estimated the City’s population to be 55,438 as of July 1, 2017. See “THE CITY.” As more fully described in “PROPERTY TAX INFORMATION--Property Tax Base and Tax Roll,” the City’s assessed valuation for fiscal year 2017-18 is \$1,502,046,933, excluding the assessed valuation attributable to the Carson City Redevelopment Agency (the “Redevelopment Agency”).

The Bonds; Prior Redemption

The Bonds are issued solely as fully registered certificates in denominations of \$5,000, or any integral multiple thereof. The Bonds initially will be registered in the name of

* Preliminary; subject to change.

Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See Appendix C--Book-Entry Only System. The Bonds are dated as of the date of their delivery and mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the Bonds is described in “THE BONDS--Payment Provisions.”

The Bonds are subject to redemption prior to maturity at the option of the City. See “THE BONDS--Redemption Provisions.” At the option of the winning bidder, certain of the Bonds may also be subject to mandatory sinking fund redemption. See “APPENDIX G--OFFICIAL NOTICE OF BOND SALE.”

Authority for Issuance

The Bonds are being issued pursuant to: the Charter; the Carson City Municipal Code (the “City Code”); the County Bond Law (Nevada Revised Statutes (“NRS”) 244A.011 to 244A.065); the Local Government Securities Law (NRS 350.500 through 350.720); the Supplemental Bond Act (NRS Chapter 348); and the Bond Ordinance.

Purpose

Proceeds of the Bonds will be used to: (i) finance certain improvements to the Utility System (defined herein); and (ii) pay the costs of issuing the Bonds. See “SOURCES AND USES OF FUNDS.”

Security

General Obligations. The Bonds are direct and general obligations of the City, payable as to principal and interest from general (ad valorem) taxes (sometimes referred to herein as “General Taxes”) levied against all taxable property within the City (except to the extent any other monies are made available therefor), subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See “SECURITY FOR THE BONDS--GENERAL OBLIGATION” and “PROPERTY TAX INFORMATION--Property Tax Limitations.”

Additional Security for the Bonds – Pledged Revenues. The Bonds are additionally secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) on the Pledged Revenues (described below), subject to and after the lien thereon of any future Superior Securities (defined below) and on a parity with the lien thereon of the outstanding Parity Securities (described below) and any future Parity Securities.

The “Pledged Revenues” consist of all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Utility System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Utility System, or otherwise, and includes all revenues received by the City from the Utility System, after the deduction of Operation and Maintenance Expenses. The “Utility System” is defined as the Sewer System and the Drainage System. The “Sewer System” is defined as, generally, the sanitary sewer system of the City, and the “Drainage System” is

defined as, generally, the City’s municipal flood control and drainage system. See Appendix B--Summary of Certain Provisions of the Bond Ordinance--Additional Bonds. For additional information regarding the Pledged Revenues, see “ADDITIONAL SECURITY FOR THE BONDS.”

Upon issuance, the Bonds will have a lien on the Pledged Revenues on a parity with the lien thereon of \$56,336,865 aggregate principal amount of existing bonds (the “Parity Securities”). The City may issue additional Parity Securities upon compliance with the requirements of the Bond Ordinance. See APPENDIX B--Summary of Certain Provisions of the Bond Ordinance--Additional Bonds. Information regarding the City’s capital improvement program and its plans to issue additional Parity Securities is set forth in “ADDITIONAL SECURITY FOR THE BONDS—Capital Improvement Program.”

The Bond Ordinance also permits the issuance of additional bonds which have a superior lien on the Pledged Revenues (the “Superior Securities”) upon the satisfaction of certain conditions set forth therein, including that any superior securities may not be issued until the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 1998 (the “1998 Bonds”) are no longer outstanding (the final payment date is July 1, 2018), may not be issued as general obligations, and may be issued solely as special obligations payable from the Pledged Revenues. The City does not currently anticipate issuing any additional Superior Securities. See APPENDIX B--Summary of Certain Provisions of the Bond Ordinance--Additional Bonds.

Professionals

Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel and has also acted as Special Counsel to the City in connection with preparation of this Official Statement. The City’s financial advisor in connection with the issuance of the Bonds is JNA Consulting Group, LLC, Boulder City, Nevada (the “Financial Advisor”). See “FINANCIAL ADVISOR.” The fees of the Financial Advisor will be paid only from Bond proceeds at closing. The audited basic financial statements of the City (contained in Appendix A to this Official Statement) include the report of Eide Bailly LLP, certified public accountants, Reno, Nevada. See “INDEPENDENT AUDITORS.” ZB, N.A. dba Zions Bank, Los Angeles, California, will act as Registrar and Paying Agent for the Bonds (the “Registrar” and “Paying Agent”). See “SOURCES AND USES OF FUNDS--Uses of Bond Proceeds.”

Tax Matters

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded from gross income pursuant to the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the “Tax Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that for taxable years of corporations beginning before January 1, 2018, such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See “TAX MATTERS--Federal Tax Matters.”

Under laws of the State in effect as of the date of issuance of the Bonds, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS. See “TAX MATTERS--State Tax Exemption.”

Continuing Disclosure Undertaking

The City will execute a continuing disclosure certificate with respect to the Bonds (the “Disclosure Certificate”) at the time of the closing for the Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the Bonds and the City will covenant in the Bond Ordinance to comply with its terms. The Disclosure Certificate will provide that so long as the Bonds remain outstanding, the City will provide the following information to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) system: (i) annually, certain financial information and operating data; and (ii) notice of the occurrence of certain material events; all as more particularly described in the Disclosure Certificate. The form of the Disclosure Certificate is attached hereto as Appendix E.

In the last five years, the City failed to timely file a material event notice relating to a downgrade of the underlying rating on certain of its previously issued general obligation (limited tax) bonds. Except for such instance of non-compliance, the City has not failed to comply, in any material respect, with any undertakings made pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “Rule”) in the last five years.

Certain Bondholder Risks

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement. See, in particular, “ADDITIONAL SECURITY FOR THE BONDS--Certain Risks Associated With Pledged Revenues.” Each prospective investor should read this Official Statement in its entirety and to give particular attention to the risks described herein which could affect the payment of the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time.

Forward-Looking Statements

This Official Statement, particularly (but not limited to) any statements referring to budgeted, unaudited or interim information for fiscal year 2018 or future years, contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not occur as assumed or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results. Those differences could be materially adverse to the owners of the Bonds and could impact the availability of revenues to pay debt service on the Bonds.

Secondary Market

No guarantee can be made that a secondary market for the Bonds will develop or be maintained by the Underwriters or others. Prospective investors should be prepared to hold their Bonds to maturity.

Additional Information

This introduction is only a brief summary of the provisions of the Bonds and the Bond Ordinance; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Bonds, the Bond Ordinance, the City, the General Taxes, the Pledged Revenues, and the Project are included in this Official Statement. All references herein to the Bonds, the Bond Ordinance and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Additional information and copies of the documents referred to herein are available from the City and the Financial Advisor at the addresses set forth below:

Carson City, Nevada
Attn: Chief Financial Officer
201 North Carson Street
Carson City, NV 89701
Telephone: (775) 887-2133

JNA Consulting Group, LLC
410 Nevada Way, Suite 200
Boulder City, NV 89005
Telephone: (702) 294-5100

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied in the manner set forth in the following tables.

Sources and Uses of Funds

SOURCES:

Principal amount	\$4,875,000.00*
Plus: net original issue premium	
Total	

USES:

The Project	
Costs of issuance (including underwriting discount) ...	
Total	

Source: The Financial Advisor.

The Project

The net proceeds of the Bonds will be used to make certain improvements to the Utility System by acquiring, constructing, improving and equipping facilities pertaining to the Utility System. See "ADDITIONAL SECURITY FOR THE BONDS--Capital Improvement Program."

* Preliminary; subject to change.

THE BONDS

General

The Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The Bonds will be dated as of their date of delivery and will mature and bear interest as described below and as set forth on the inside cover page of this Official Statement. The Bonds initially will be registered in the name of “Cede & Co.,” as nominee for DTC, the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry only form. Purchasers will not receive certificates evidencing their beneficial ownership interest in the Bonds. See “Book-Entry Only System” below.

Payment Provisions

The Bonds shall bear interest (calculated on the basis of a 360 day year consisting of twelve 30 day months) from their date until their respective maturity dates (or, if redeemed prior to maturity as provided below, their redemption dates) at the respective rates set forth on the inside cover page hereof, and payable semiannually on May 1 and November 1 of each year commencing on November 1, 2018; provided that those Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates set forth on the inside cover page hereof from the most recent interest payment date to which interest has been paid, or if no interest has been paid, from the date of the Bonds. The Bonds shall mature on the designated dates in the amounts of principal, as designated on the inside cover page hereof. The principal of any Bond shall be payable to the owner thereof as shown on the registration records kept by the Registrar, upon maturity and upon presentation and surrender at the office designated by the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by said Bond until the principal thereof is paid in full.

The payment of interest on any Bond shall be made to the owner thereof by check or draft mailed by the Paying Agent, on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), to the owner thereof, at his or her address as shown on the registration records kept by the Paying Agent at the close of business on the fifteenth day of the calendar month next preceding each interest payment date (other than a special interest payment date fixed for payment of defaulted interest) (the “Regular Record Date”); but any such interest not so timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Paying Agent as of the close of business on the Regular Record Date and shall be payable to the person who is the owner thereof, at his or her address, as shown on the registration records of the Paying Agent as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the “Special Record Date”). Such Special Record Date and the date for payment of defaulted interest shall be fixed by the Paying Agent whenever money becomes available for payment of the defaulted interest, and notice of the Special Record Date and the date for payment of defaulted interest shall be given to the owners of the Bonds not less than ten days prior thereto by first-class mail to each such owner as shown on the Paying Agent’s records as of a date selected by the Paying Agent, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed upon between the

owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent.

Notwithstanding the foregoing, payments of the principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to DTC's Participants (defined in Appendix D) is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners (defined in Appendix D) is the responsibility of DTC's Participants and the Indirect Participants (defined in Appendix D), as more fully described herein. See "Book-Entry Only System" below.

Redemption Provisions

Optional Redemption of Bonds. The Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after November 1, 2028, will be subject to redemption prior to their respective maturities, at the option of the City, on and after November 1, 2027, in whole or in part at any time from any maturities selected by the City and by lot within a maturity (giving proportionate weight to the Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each Bond, or portion thereof, so redeemed, and the accrued interest thereon to the Redemption Date.

Mandatory Sinking Fund Redemption – Bonds* The Bonds maturing on November 1, 20__ (the "Term Bonds"), are subject to mandatory sinking fund redemption at a Redemption Price equal to the principal amount of each Bond, or portion thereof, so redeemed, and the accrued interest thereon to the Redemption Date.

As and for a sinking fund for the redemption of the Term Bonds, there shall be deposited into the Bond Fund on or before the dates set forth below, a sum which, together with other moneys available therein, is sufficient to redeem on the years and the principal amounts of the Term Bonds set forth below.

<u>November 1</u>	<u>Principal Amount</u>
-------------------	-----------------------------

(1)

(1) Maturity date.

Term Bonds being redeemed in part will be selected by lot in such manner as the Registrar may determine. Not more than 60 days nor less than 30 days prior to the sinking fund payment dates for the Term Bonds, the Registrar shall proceed to select for redemption (in the manner described above) from all Outstanding Term Bonds, a principal amount of the Term Bonds equal to the aggregate principal amount of Term Bonds redeemable with the required sinking fund payments.

* Preliminary; subject to change.

At the option of the City to be exercised by delivery of a written certificate to the Registrar not less than sixty days next preceding any sinking fund redemption date, it may (1) deliver to the Registrar for cancellation Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) in an aggregate principal amount desired by the City or, (2) specify a principal amount of Term Bonds, or portions thereof (\$5,000 or any integral multiple thereof) which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and canceled by the Registrar and not theretofore applied as a credit against any sinking fund redemption obligation. Each Term Bond or portion thereof so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the City on the sinking fund redemption dates and any excess shall be so credited against future sinking fund redemption obligations in such manner as the City determines.

Notice of Redemption. Unless waived by any registered owner of a Bond to be redeemed, notice of prior redemption shall be given by the Registrar, electronically as long as the nominee of The Depository Trust Company or a successor depository is the registered owner of the Bonds, and otherwise by first class mail, at least 30 days but not more than 60 days prior to the Redemption Date, to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access System (the "MSRB") and to the registered owner of any Bond (initially Cede & Co.) all or a part of which is called for prior redemption at his or her address as it last appears on the registration records kept by the Registrar. Actual receipt of any such notice by the MSRB or any registered owner of Bonds shall not be a condition precedent to redemption of such Bonds. Failure to give such notice to the MSRB or the registered owner of any Bond designated for redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds. A certificate by the Registrar that notice of call and redemption has been given shall be conclusive against all parties; and no owner whose Bond is called for redemption or any other owner of any Bond may object thereto or may object to the cessation of interest on the Redemption Date on the ground that he failed actually to receive such notice of redemption.

Notwithstanding the provisions described above, any notice of redemption may contain a statement that the redemption is conditioned upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the Bonds so called for redemption, and that if such funds are not available, such redemption shall be cancelled by written notice to the owners of the Bonds called for redemption in the same manner as the original redemption notice was mailed.

Tax Covenant

In the Bond Ordinance, the City covenants for the benefit of the registered owners of the respective series of Bonds that it will not take any action or omit to take any action with respect to the such series of Bonds, the proceeds thereof, any other funds of the City or any facilities financed or refinanced with the proceeds of such Bonds if such action or omission (i) would cause the interest on such Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on such Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income for taxable years of

corporations beginning before January 1, 2018. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the applicable series of Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

Defeasance

When all Bond Requirements of any Bond have been duly paid, the pledge, the lien, and all obligations under the applicable Bond Ordinance as to that Bond shall thereby be discharged and the Bond shall no longer be deemed to be Outstanding within the meaning of the applicable Bond Ordinance. There shall be deemed to be such due payment when the City has placed in escrow or in trust with a Trust Bank, an amount sufficient (including the known minimum yield available for such purpose from the Federal Securities in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of the Bond, as the same become due to the final maturity of the Bond, or upon any redemption date as of which the City shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond for payment then. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and the Trust Bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the schedule. For the purpose of this section of each Bond Ordinance, "Federal Securities" shall include only Federal Securities which are not callable for redemption prior to their maturities except at the option of the owner thereof. When such defeasance is accomplished the Paying Agent shall mail written notice of the defeasance to the registered owner of the Bond at the addresses last shown on the registration records for the Bonds maintained by the Registrar.

Book-Entry Only System

The Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of each series, as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix D - Book-Entry Only System.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

None of the City, the Registrar or the Paying Agent will have any responsibility or obligation to DTC's Participants or Indirect Participants (defined in Appendix D), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the Bonds as further described in APPENDIX C to this Official Statement.

DEBT SERVICE REQUIREMENTS

The Bonds

The following table sets forth the estimated annual debt service requirements for the Bonds, the debt service requirements for the Parity Securities, and the estimated total debt service requirements on the Bonds and the Parity Securities. This table will be updated in the final Official Statement to include the actual debt service for the Bonds. For an illustration of the debt service requirements on all of the City's outstanding general obligation bonds, see "DEBT STRUCTURE--Annual Debt Service Requirements--General Obligation Bonds."

Bonds - Debt Service Requirements⁽¹⁾

Fiscal Year	2018 Bonds*			Parity Securities ⁽³⁾	Total
	Principal	Interest ⁽²⁾	Total		
2018 ⁽⁴⁾	\$ --	\$ --	\$ --	\$4,562,481	\$4,562,481
2019	--	213,992	213,992	4,914,626	5,128,618
2020	--	199,063	199,063	4,685,352	4,884,415
2021	185,000	195,363	380,363	4,689,479	5,069,842
2022	195,000	187,763	382,763	4,691,379	5,074,141
2023	200,000	179,863	379,863	4,684,788	5,064,650
2024	210,000	171,663	381,663	4,695,606	5,077,269
2025	220,000	163,063	383,063	4,399,884	4,782,946
2026	230,000	154,063	384,063	3,975,921	4,359,984
2027	235,000	144,763	379,763	3,977,584	4,357,346
2028	245,000	135,163	380,163	3,977,321	4,357,484
2029	255,000	125,163	380,163	3,975,121	4,355,284
2030	270,000	113,313	383,313	3,978,525	4,361,837
2031	280,000	99,563	379,563	3,790,306	4,169,868
2032	295,000	85,188	380,188	3,691,797	4,071,984
2033	310,000	71,613	381,613	3,528,725	3,910,337
2034	325,000	58,913	383,913	3,532,415	3,916,328
2035	335,000	46,550	381,550	1,691,594	2,073,144
2036	350,000	34,125	384,125	825,888	1,210,013
2037	360,000	20,813	380,813	413,225	794,038
2038	<u>375,000</u>	<u>7,031</u>	<u>382,031</u>	<u>416,150</u>	<u>798,181</u>
TOTAL:	\$4,875,000	\$2,407,023	\$7,282,023	\$75,098,167	\$82,380,191

(1) Totals may not add due to rounding.

(2) As estimated by the Financial Advisor; subject to change upon final pricing of the Bonds.

(3) The Parity Securities are described under "ADDITIONAL SECURITY FOR THE BONDS--Parity Securities."

(4) The debt service amount shown for the Parity Securities for fiscal year 2018 includes all debt service payable in fiscal year 2018 on the Parity Securities. The remaining debt service due on the Parity Securities in fiscal year 2018 is \$701,000.

Source: The Financial Advisor.

SECURITY FOR THE BONDS - GENERAL OBLIGATION

General Obligation

General. The Bonds are direct and general obligations of the City, and the full faith and credit of the City is pledged for the payment of principal and interest, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See “PROPERTY TAX INFORMATION--Property Tax Limitations.” The Bonds are payable by the City from any source legally available therefor at the times such payments are due, including the General Fund of the City and the Pledged Revenues. See “ADDITIONAL SECURITY FOR THE BONDS—Pledged Revenues.” In the event, however, that such legally available sources of funds are insufficient, the City is obligated to levy a general (ad valorem) tax on all taxable property within the City for payment of the Bonds, subject to the limitations provided in the constitution and statutes of the State.

Limitations on Property Tax Revenues. The constitution and laws of the State limit the total ad valorem property taxes that may be levied by all overlapping taxing units within each county (including the State, the City, Carson City School District (the “School District”) in each year. Those limitations are described in “PROPERTY TAX INFORMATION--Property Tax Limitations.” In any year in which the total property taxes levied within the City by all applicable taxing units exceed such property tax limitations, the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness (including the Bonds, if a tax levy is necessary to pay them), including interest on such indebtedness. See “PROPERTY TAX INFORMATION--Property Tax Limitations.”

No Repealer. State statutes provide that no act concerning the Bonds or their security may be repealed, amended, or modified in such a manner as to impair adversely the Bonds or their security until all of the Bonds have been discharged in full or provision for their payment and redemption has been fully made.

Certain Risks Associated With Property Taxes

Delays in Property Tax Collections Could Occur. Although the Bonds are general obligations of the City, the City may only levy property taxes to pay debt service on the Bonds in accordance with State law. For a description of the State laws regulating the collection of property taxes, see “PROPERTY TAX INFORMATION--Property Tax Collections.” Due to the statutory process required for the levy of taxes, in any year in which the City is required to levy property taxes, there may be a delay in the availability of property tax revenues to pay debt service on the Bonds. Accordingly, although other City revenues may be available to pay debt service on the Bonds if the respective pledged revenues are insufficient, time may elapse before the City receives property taxes levied to cover any insufficiency of such pledged revenues.

Certain Risks Related to Property Taxes. Numerous other factors over which the City has no control may impact the timely receipt of ad valorem property tax revenues in the future. These include the valuation of property within the City, the number of homes which are in foreclosure, bankruptcy proceedings of property taxpayers or their lenders, and the ability or willingness of property owners to pay taxes in a timely manner.

No Pledge of Property

The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City, except the proceeds of General Taxes, the respective pledged revenues for each series of Bonds, and any other moneys pledged for the payment of the Bonds. No property of the City, subject to such exceptions, shall be liable to be forfeited or taken in payment of the Bonds.

Limitation of Remedies

Judicial Remedies. Upon the occurrence of an Event of Default under the Bond Ordinance, each owner of the Bonds is entitled to enforce the covenants and agreements of the City by mandamus, suit or other proceeding at law or in equity. Any judgment will, however, only be enforceable against the pledged revenues applicable to the Bonds and other moneys held under the Bond Ordinance (including General Taxes, if any) and not against any other fund or properties of the City.

The enforceability of the Bond Ordinance is also subject to equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State and the exercise of judicial authority by State or federal courts. Due to the delays in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in obtaining judicial remedies to enforce the covenants and agreements of the City under the Bond Ordinance, to the extent enforceable, could result in delays in any payment of principal of and interest on the Bonds.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the City in issuing the Bonds are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

No Acceleration. There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

Future Changes in Laws

Various State laws apply to the imposition, collection, and expenditure of General Taxes and to other City revenues as well as to the operation and finances of the City. There is no

assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the City and the imposition, collection, and expenditure of revenues, including General Taxes.

ADDITIONAL SECURITY FOR THE BONDS

The information in this section describes the Pledged Revenues, which additionally secure the Bonds.

Pledged Revenues

General; Lien Priority. The Bonds are additionally secured by a lien (but not necessarily an exclusive lien) on the Pledged Revenues on a parity with the lien thereon of the Parity Securities (defined below) and any future Parity Securities. Additional securities having a lien on the Pledged Revenues that is superior to the lien of the Bonds may also be issued subject to certain conditions, including that any superior securities may not be issued until the 1998 Bonds are no longer outstanding, may not be issued as general obligations, and may be issued solely as special obligations payable from the Pledged Revenues. APPENDIX B--Summary of Certain Provisions of the Bond Ordinance--Additional Bonds.

The Pledged Revenues. The Bonds will be additionally secured by the Pledged Revenues, which are generally defined as (a) all income and revenues derived by the City from the operation and use of the Utility System or any part thereof, whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Utility System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Utility System, less (b) the Operating and Maintenance Expenses (as defined in the Bond Ordinance). See APPENDIX B--Summary of Certain Provisions of the Bond Ordinance.

Parity Securities

The pledge of and the lien on Pledged Revenues securing the Bonds is on a parity with the lien thereon of the Parity Securities. The Parity Securities are outstanding in the aggregate principal amount of \$56,336,865 (as of March 1, 2018) (calculated based upon the assumptions described in the table below). The Parity Securities mature on various dates, the latest of which occurs within the fiscal year ending June 30, 2038. Additional Parity Securities (as well as future Superior Securities) may be issued pursuant to the terms of the Bond Ordinance under certain conditions described in APPENDIX B--Summary of Certain Provisions of the Bond Ordinance--Additional Bonds.

Outstanding Parity Securities. The following table shows the outstanding amounts of the Parity Securities:

Parity Securities⁽¹⁾

<u>Series of Bonds⁽²⁾</u>	<u>Issued</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Sewer Bonds, Series 1998	08/01/98	07/01/18	\$6,096,302	\$222,713
Sewer Imp. and Ref. Bonds, Series 2010D	07/14/10	11/01/29	2,690,000	850,000
Sewer Bonds, Series 2010F	10/22/10	07/01/30	2,748,556	2,029,586
Sewer Imp. and Ref. Bonds, Series 2012B	03/22/12	11/01/31	5,935,000	3,285,000
Sewer Bond, Series 2014B	04/02/14	01/01/34	24,750,000	23,594,671
Sewer Refunding Bonds, Series 2014D	10/07/14	06/01/25	3,638,000	3,062,000
Sewer Bonds, Series 2015A	07/10/15	07/01/35	12,000,000	11,717,895
Sewer Bonds, Series 2015B	08/03/15	11/01/34	6,245,000	5,575,000
Sewer Bonds, Series 2017B	11/07/17	11/01/37	6,000,000	<u>6,000,000</u>
TOTAL				\$56,336,865

(1) As of March 1, 2018, except for the Bonds.

(2) All of these obligations constitute general obligations (limited tax) additionally secured by the Pledged Revenue.

Source: Compiled by the Financial Advisor.

Certain Risks Associated With Pledged Revenues

General. The generation of sufficient Pledged Revenues by the City’s Utility System (comprised of the Sewer System and the Drainage System) is important to the timely payment on the Bonds. If the Utility System (particularly the Sewer System) becomes inoperable due to damage, destruction, environmental restriction or for any other reason, or if the City should lack adequate water supply to serve existing customers because of drought or for any other reason, or if the City is unable to increase rates and charges for any reason or if the City incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, the City may be unable to generate adequate revenues from the Utility System to pay debt service on the Bonds, the Parity Securities and any future Parity Securities or Superior Securities.

Future Development Not Assured. Development in the City has generally increased since the national and regional economic recession which occurred in approximately 2008-11. Since fiscal year 2013, Pledged Revenues have increased each year. See “Historical and Estimated Pledged Revenues” below. In the event that development within the City once again slows significantly, debt service and other costs will be spread over the existing customer base, therefore potentially requiring greater increases in fees for service to pay for Operation and Maintenance Expenses and debt service. Significant increases in fees, however, may result in a further reduction in development and an increase in delinquent accounts or other related losses to the Pledged Revenues. Further, if City rates and charges increase significantly beyond the charges applicable to neighboring municipalities, developers may be inclined to locate new development in areas other than the City.

Environmental Requirements. The Utility System is subject to numerous federal and State regulatory requirements that are subject to change. Wastewater treatment systems like the Sewer System are regulated by the U.S. Environmental Protection Agency (the “EPA”), and the Nevada Division of Environmental Protection (“NDEP”) has the authority to issue permits and enforce discharge standards. The City has obtained the necessary permits from NDEP to

operate its facilities. The permits limit the quantities of certain chemicals and other substances that may be discharged. Implementation of more stringent standards in the future could result in increased Operation and Maintenance Expenses or could require substantial capital improvements to the Sewer System. Should that occur, the Utility System's costs would increase; such increased costs could reduce the amount of Pledged Revenues available to pay debt service on the Bonds. In addition, failure to comply with regulatory changes, or the inability to comply with them in a timely manner could result in fines or mandatory shut downs of portions of the Utility System. Any disruption of service could negatively impact Pledged Revenues.

In operating the Utility System, the City also may be subject to various environmental regulations which could subject the City to increased operating costs or capital expenditures. Such increased costs could reduce the amount of Pledged Revenues available to pay debt service on the Superior Securities, the Parity Securities and the Bonds.

Other Regulatory Risks. The Utility System is subject to numerous federal and State statutory and regulatory requirements. Those laws are subject to change at any time. The City works with all regulatory agencies and personnel to stay abreast of future regulatory requirements as failure to comply with regulatory changes, or the inability to comply with them in a timely manner, could cause portions of the System to be unavailable. Any disruption of service could negatively impact the Pledged Revenues.

No Pledge of Property. The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the City, except the proceeds of General Taxes, the Pledged Revenues and any other moneys pledged for the payment of the Bonds. No property of the City, subject to such exceptions, shall be liable to be forfeited or taken in payment of the Bonds.

Future Changes in Laws. Various State laws apply to the imposition, collection, and expenditure of Pledged Revenues and to other City revenues as well as to the operation and finances of the City. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the City and the imposition, collection, and expenditure of the Pledged Revenues.

Historical and Estimated Pledged Revenues

The following table sets forth: (i) a history of the Pledged Revenues for fiscal years 2013-17 and budgeted Pledged Revenues for fiscal year 2018; (ii) the debt service payable on the then-outstanding Superior Securities and Parity Securities in each year; and (iii) the associated debt service coverage, calculated by dividing the Pledged Revenues by the debt service paid in each year. *There is no assurance that the Pledged Revenues will continue to be realized in the amounts illustrated below.* See “Certain Risks Associated With Pledged Revenues” and other factors described throughout this Official Statement.

Upon issuance of the Bonds, the combined maximum annual principal and interest requirements on the Bonds and the Parity Securities is \$5,128,618* in fiscal year 2019*. See “DEBT SERVICE REQUIREMENTS--Bonds.”

* Subject to change.

Historical and Budget Pledged Revenues and Debt Service Coverage
Municipal Utility System
City of Carson City, Nevada

Fiscal Year Ending June 30	2013 (Actual)	2014 (Actual)	2015 (Actual)	2016 (Actual)	2017 (Actual)	2018 (Augmented Budget)
GROSS REVENUES						
Operating Revenues:						
Charges for Service	\$8,635,169	\$9,724,820	\$11,410,696	\$12,817,802	\$14,357,823	\$16,461,194
Non-Operating Revenues:						
Interest Income ⁽¹⁾	6,139	12,903	9,741	76,237	30,884	11,500
Miscellaneous/Intergovernmental	7,500	750	1,700	23,286	25,840	23,000
Connection Fees	20,093	33,851	40,932	60,408	244,160	153,500
Total Non-Operating Revenues	<u>33,732</u>	<u>47,504</u>	<u>52,373</u>	<u>159,931</u>	<u>300,884</u>	<u>188,000</u>
Working Capital Contribution	<u>10,144</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL GROSS REVENUES	<u>8,679,045</u>	<u>9,772,324</u>	<u>11,463,069</u>	<u>12,977,733</u>	<u>14,658,707</u>	<u>16,649,194</u>
Salaries & Benefits	2,109,473	2,436,575	2,357,488	2,375,518	2,389,578	2,767,873
Services & Supplies	<u>3,864,039</u>	<u>3,710,130</u>	<u>3,772,320</u>	<u>3,745,988</u>	<u>3,952,219</u>	<u>4,923,773</u>
TOTAL OPERATION AND MAINTENANCE EXPENSES	<u>5,973,512</u>	<u>6,146,705</u>	<u>6,129,808</u>	<u>6,121,506</u>	<u>6,341,797</u>	<u>7,691,646</u>
Pledged Revenues	2,705,533	3,625,619	5,333,261	6,856,227	8,316,910	8,957,548
EXISTING DEBT SERVICE						
2005B Drainage Bonds ⁽⁴⁾	435,100	436,650	302,800	--	--	--
Parity Securities ⁽³⁾	<u>2,243,660</u>	<u>2,320,638</u>	<u>2,249,594</u>	<u>2,033,827</u>	<u>2,898,613</u>	<u>4,562,481</u>
TOTAL DEBT SERVICE	<u>\$2,678,760</u>	<u>\$2,757,288</u>	<u>\$2,552,394</u>	<u>\$2,033,827</u>	<u>\$2,898,613</u>	<u>\$4,562,481</u>
Coverage (times)	1.0x	1.3x	2.1x	3.4x	2.9x	2.0x

(1) Includes only investment income received and does not include changes in market value of the investments.

(2) Excludes depreciation.

(3) Reflects annual debt service on the Parity Securities. See the preceding table "Parity Securities" and "DEBT SERVICE REQUIREMENTS – Bonds."

(4) These bonds were paid and canceled in fiscal year 2016.

Source: City's CAFRs for fiscal years 2013 through 2017, and the City's fiscal year 2018 augmented budget adopted on January 4, 2018.

The Utility System

General. The City operates a municipal wastewater system (the "Sewer System") and a municipal drainage system (the "Drainage System" and together with the Sewer System, the "Utility System") through its Department of Public Works. No portion of the Utility System is managed by a private operator or otherwise outsourced. Public Works is comprised of five

divisions (Administrative, Transportation, Engineering, Environmental and Operations) and employs 123 Full Time Equivalent employees. Of the Full Time Equivalent employees, 16 are directly involved in the operation of the Sewer System, five are directly involved in the operation of the Drainage System and two are directly involved in the utility billing system.

Sewer System Service Area. The primary service area of the Sewer System is within the City's boundaries. It serves approximately 17,094 connections. The estimated population of the primary service area as of July 1, 2017, was 54,506. In addition to serving the population of the City, pursuant to an inter-local agreement between the City and Douglas County, the City provides sewage treatment services to customers in the northern area of Douglas County. This agreement requires the City to treat up to 300,000 gallons per day. This service area is currently primarily comprised of a shopping center and a future housing development called Clear Creek Tahoe.

Drainage System Service Area. The primary service area of the Drainage System is within the City's boundaries. The drainage infrastructure is located primarily in the developed portion of the City, generally comprising the following area: the western boundary is the foothills to the west of the developed area of the City; the southern boundary is the City's boundary with Douglas County; the eastern boundary is the Carson River; and the northern boundary is the City's boundary with Washoe County.

Utility System Facilities

Sewer System. The Sewer System consists of approximately 239 miles of sewer pipelines, 18 miles of reclaimed pipeline, five lift stations, two reuse pump stations, two reuse reservoirs, one golf course and one treatment plant. The age of the Sewer System ranges from 65 years old to new. Various components of the Sewer System have been upgraded through the years with major improvements completed every decade starting in the late 1980's. Most recently, staff is working with the contractor on completing a \$30 million dollar repair and replacement project at the treatment plant.

The Wastewater Treatment Plant (the "Treatment Plant") was constructed in the 1960's (and updated periodically over the years) and has an estimated average remaining useful life of approximately 50 years. The Treatment Plant has a permitted treatment capacity of 6.9 million gallons per day ("MGD") and the peak hour wet weather flow design capacity is 12.0 MGD. The annual average daily flow is 4.3 MGD. Preliminary treatment at the Treatment Plant consists of a mechanical screen and an aerated grit chamber. Primary treatment consists of primary clarifiers followed by an equalization basin. Secondary treatments consist of an aeration basin followed by sand filtration and chlorination. Solids treatment consists of anaerobic digestion followed by dewatering. The treated water from the Treatment Plant is used to irrigate golf courses and a hay growing operations. The Sewer System includes the Brunswick Canyon Reclaimed Water Storage Reservoir that was built in the late 1980s and early 1990's. The Treatment Plant is expected to have a useful life of approximately 50 years.

The Sewer System is permitted by NDEP, and is typically in compliance with the permit requirements. The discharge permit issued to the treatment plant expired on January 6, 2015, but remains active until a new permit is issued. The discharge permit issued to the Storage Reservoir expired on February 23, 2014, but remains active until a new permit is issued. The City has applied for a reauthorization of these permits, but due to backlogs at NDEP, permits

frequently expire and are not renewed until years after their expiration. The permit has not been revoked or suspended within the last 10 years.

Drainage System. The Drainage System consists of many miles of pipes and open channels. The average pipe size is 18 inches in diameter. The age of the system ranges from the 1930's to 2005. Major facilities include the Shenandoah Detention Basin and Conveyance Facilities, Eagle Creek Detention Basins and Conveyance Facilities, Timberline/Combs Canyon Sediment and Conveyance Facilities, Silver Oaks Detention Basins and Conveyance Facilities, Silver Oak Drive (Broadleaf Lane) & Arrowhead Drive Culvert Crossings and Conveyance Facilities, Carson City Freeway Drainage and Conveyance Facilities, Vicee Retention Facilities, Eagle Valley Golf Course Detention Basin and Mayor Park Regional Detention Basin.

Capital Improvement Program

The City maintains a 5-year capital improvement program (the "CIP") for the Utility System. Total projected expenditures for the following five fiscal years are as follows:

Capital Improvement Program Fiscal Years 2018-2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>5-Year Total</u>
Sewer	\$12,380,665	\$6,202,500	\$6,065,000	\$5,325,000	\$4,895,000	\$34,868,000
Drainage	--	--	450,000	140,000	280,000	870,000
Total	<u>\$12,380,665</u>	<u>\$6,202,500</u>	<u>\$6,515,000</u>	<u>\$5,465,000</u>	<u>\$5,175,000</u>	<u>\$35,738,165</u>

In fiscal years 2018 and 2019, the City expects to fund the CIP related to the Sewer System with the remaining proceeds of the 2017B Bonds and current revenues. In fiscal years 2020 through 2022, the City expects to fund the CIP primarily with current revenues.

Within the CIP, the City maintains a capital improvement program for its Drainage System (the "Drainage Capital Improvement Plan"). The net proceeds of the Bonds are expected to finance a portion of the Drainage Capital Improvement Program in fiscal years 2018 through 2022. Specifically, the Bonds are expected to be used to (a) replace and rehabilitate various portions of the Drainage System and (b) construct minor improvements throughout the Drainage System and construct larger Drainage System improvements on Lakeview Drive, Kings Canyon Drive and Carson Street. The following is a list of these projects, all or a portion of which is expected to be financed with the net proceeds of the Bonds:

Drainage Capital Improvement Program

	<u>Project Name</u>	<u>Estimated Expense</u>
1	Lakeview SD Improvements	\$ 250,000
2	Kings Canyon Channel Maintenance Project (Roop to Saliman)	110,000
3	Kings Canyon Road Culvert Upgrade (at Creek Crossing)	90,000
4	Carson Street SD Improvements (Fairview to Clearview)	900,000
5	Carson Street SD Improvements (5 th to Stewart and Curry Street)	2,900,000
6	Minor SD Improvements	<u>625,000</u>
	Total:	\$4,875,000

Customer Usage Rates and Charges

Sewer System. The City imposes service and connection charges, along with a right-of-way charge for the Sewer System. The City’s authority to set Sewer System rates and charges is set forth in the City Charter and in Chapter 12.03 of the City’s Municipal Code. On September 19, 2013, the Board adopted Ordinance No. 2013-26, which approved significant rate increases for the Sewer System for the fiscal years ending June 30, 2014, 2015, 2016 and 2017. In Ordinance No. 2013-26, the City also modified the rate structure for the Sewer System. Prior to the rate increase, all classes of users (residential and commercial) paid the same monthly fixed rate, with numerous class-specific volume charges. The new rate structure imposed a flat rate on residential property and a separate flat rate on commercial property, in addition to a volume rate on commercial property depending on whether the user is “low strength” or “high strength.” These changes were intended to, among other things, stabilize rates over time and provide the City with additional revenue for the Sewer System capital improvement program. See “Capital Improvement Program” above.

At the time of adoption of the rate increases, the City also created the Utility Financial Oversight Committee. The purpose of this committee is to provide the Board with recommendations regarding continuing compliance with the City’s adopted utility financial policies in preparation of annual budgets. The committee prepares a report each April for the Board to take into consideration in adopting the next fiscal year’s budget. The committee is comprised of five members, with one committee member appointed by each Board member. Committee members are required to have knowledge and expertise related to finance, accounting or related fields.

The monthly service fee increases that went into effect for the fiscal years ending June 30, 2014 through June 30, 2017 are set forth in the tables below. The monthly service fees in effect as of July 1, 2017 remain in effect, and will remain in effect, unless subsequently changed by the Board. The City is not currently contemplating any additional monthly service fee increases.

Sewer Service Charges – Residential

<u>Customer Class/Description</u>	Effective <u>7/1/14</u>	Effective <u>7/1/15</u>	Effective <u>7/1/16</u>	Effective <u>7/1/17</u>
Single Family Residential (per dwelling unit)	\$29.68	\$33.01	\$36.61	\$40.45
Multiple-Family (per unit)	17.53	20.29	23.48	27.18

Sewer Service Charges – Commercial

<u>Customer Class/Description</u>	<u>Effective 7/1/14</u>	<u>Effective 7/1/15</u>	<u>Effective 7/1/16</u>	<u>Effective 7/1/17</u>
<i>Low-Strength Commercial</i>				
Base Charge	\$21.17	\$27.60	\$34.03	\$40.45
Volume Charge (per 1,000 gallons)	4.41	5.03	5.82	6.78
<i>High-Strength Commercial</i>				
Base Charge	\$21.17	\$27.60	\$34.03	\$40.45
Volume Charge (per 1,000 gallons)	6.44	7.91	9.73	11.98

Drainage System. The City imposes a monthly Drainage System service charge. The City’s authority to set Drainage System rates and charges is set forth in the City Charter and in Chapter 12.17 of the City’s Municipal Code. On September 19, 2013, the Board adopted Ordinance No. 2013-27, which approved rate increases for the Drainage System. This rate increase constituted a \$1.00 per month increase for each classification of property. The City imposes service charges for the Drainage System only on developed property. Undeveloped property in the natural state is not assessed a charge because such property is deemed not to make use of the Drainage System.

Section 12.17.070 of the City Code provides that the charges and fees established for the Drainage System shall be reviewed annually by the directors of the Departments of Development Services and Finance. Subsequent to such review, the directors shall present to the Board a yearly budget for the Drainage System and proposed amendments to any rates and charges necessary to enable the City to pay all costs to be incurred by the Drainage System.

The current service charge varies depending upon the classification of developed property.

Monthly Drainage Service Charge

<u>Classification</u>	<u>Charge</u>
Single family property	\$ 5.69
Multi-family property	29.33
Public property	32.03
Manufacturing property	38.19
Commercial property	40.96

Connection Charges

Sewer System Development Charges. The City charges one-time Sewer System connection fees (the “Sewer System Connection Charge”) assessed and collected at the time a building or engineering permit is issued. City Code Section 12.03.020 provides that, for the

purpose of determining Sewer Connection Charges, the Sewer Equivalent Residential Customer (“SERC”) value, or portion thereof, shall be based on the following fee schedule:

	Effective <u>7/1/16</u>	Effective <u>7/1/17</u>	Effective <u>7/1/18</u>	Effective <u>7/1/19</u>	Effective <u>7/1/20</u>
Charge per SERC:	\$1,360	\$2,143	\$2,926	\$3,710	\$4,493

The current Sewer System Connection Charge schedule is as follows:

	<u>SERC</u>
Single-family residence:	1.0
Duplex (each living unit):	0.75
Apartment (each living unit):	0.65
Mobile home (individual lot)	1.0
Mobile park (each pad)	0.65

For all other sewer connections not specified above, the Sewer System Connection Charge will be based on the “total SERCs” of the proposed development. “Total SERCs” is defined as a value calculated by dividing the average daily Sewer System contribution by the SERC quantity of 200 gallons per day. (For example: a development producing 1,000 gallons per day, the amount of 1,000 gallons is divided by 200 gallons per day per SERC, which equals five (5) SERCs; five (5) SERCs times \$1,360.00 from July 1, 2016 through June 30, 2017, equals a Sewer System Connection Charge of \$6,800.00). The Public Works Director, or his designee, assigns a total SERC value to each development based on water usage information provided to the City through completion and submittal of water usage information data or from previously supplied data generated through the review of similar or like uses and/or developments.

If a physical connection to the Sewer System is required, then the Sewer System Connection Charge is collected prior to the issuance of the permit for construction. The Board may, by resolution, waive the Sewer System Connection Charge in a certain geographic area where the public health would be benefitted thereby. If an application for a waiver meets the requirements set forth in the resolution, the waiver may be approved by the Public Works Director.

Sewer System Connection Charges historically have not been a materially source of revenue to the Sewer System. A five-year history of Sewer System Connection Charges is provided below in the table “Sewer Fund and Drainage Fund Summary of Combined Revenues, Expenses and Changes in Net Position.”

Drainage System Development Charges. The City does not impose a connection charge for the Drainage System.

Customer Information

For fiscal year 2017, the Sewer System served an average of 15,532 customers and the Drainage System served an average of 17,094 customers. Customer information is as follows:

Current Customer Information – Fiscal Year 2017

<u>Customer Classification</u>	<u>Sewer System</u>	<u>Drainage System</u>
Single Family Residential	13,838	15,442
Commercial	1,207	1182
Multi-family Residential	418	368
Governmental	<u>69</u>	<u>102</u>
TOTAL	<u>15,532</u>	<u>17,094</u>

The following table sets forth Sewer System revenues generated by customer classification for fiscal year 2017.

Sewer System Revenues by Customer Class – Fiscal Year 2017

<u>Customer Classification</u>	<u>Revenues⁽¹⁾</u>	<u>Percent of Total Revenues</u>
Single Family Residential	\$ 6,268,331	49%
Commercial	3,463,185	27%
Multi-family Residential	2,044,342	16%
Governmental	<u>942,222</u>	<u>7%</u>
TOTAL	<u>\$12,718,080</u>	<u>100%</u>

⁽¹⁾ Actual audited Sewer System revenues for fiscal year 2017 were \$12,996,501. The revenues in this table reflect only actual customer revenue, not all revenue to the Sewer Fund.

The following tables sets forth the ten largest customers of the Sewer System for fiscal year 2017. No independent investigation has been made of, and consequently there can be no representation as to, the financial condition of the largest customers or their continued usage of the Sewer System at significant levels. No single industry or activity accounts for more than 10% of total Utility System revenues. The City expects that the largest customers for fiscal year 2018 will not be materially different than fiscal year 2017.

Ten Largest Sewer System Customers – Fiscal Year 2017

<u>Customer</u>	<u>Total Revenue</u>	<u>% of Total Revenues⁽¹⁾</u>
Nevada Department of Corrections	\$ 851,821	6.6%
Carson Tahoe Hospital	178,650	1.4
College Parkway Associates	89,036	0.7
Alesco	88,674	0.7
ARHC	83,609	0.6
Frontier Plaza	78,764	0.6
Casino Fandango	77,000	0.6
Parc de Maison	73,806	0.6
Carson City Nugget	67,847	0.5
Washoe Utility Authority	67,380	0.5
TOTAL	<u>\$1,656,587</u>	<u>12.8%</u>

⁽¹⁾ Based on total Sewer System revenues of \$12,996,501 in fiscal year 2017.

Billing and Collection

Sewer System. Property owners are liable for all wastewater and drainage services provided by the City, and the City bills customers on a monthly basis. Failure to pay the total monthly bill by the due date results in a late penalty charge of 2.5% of the outstanding amount. Over the past five fiscal years, total penalty revenue has ranged from \$96,696 in fiscal year 2012 to \$116,629 in fiscal year 2017. Penalty revenue comprises less than 1% of total Utility System revenue each year. In addition, the City is entitled to discontinue service to the customer until all delinquent bills, fees and charges have been paid. The City does not impose a reconnection charge for Sewer Service. Pursuant to NRS 244.36605, all fees due constitute a lien upon the property to which the service is rendered, as well as a debt to the City from the record owner of the property and from the person occupying the premises. This lien is enforced in compliance with the City Code, City Charter and NRS Chapter 266.

Drainage System. Drainage System charges are deemed to be levied upon the premises themselves. For customers who are connected to the Sewer System, bills for the Drainage System are sent monthly. For other customers, bills are sent every three months. Section 12.17.050 of the City Code provides that the City shall have a lien for all delinquent and unpaid rates and charges for storm water purposes assessed against all premises to which service was furnished, which lien shall have the superiority established by NRS 318.197 and shall be foreclosed in the manner described in NRS 318.197. The Drainage System charges are deemed delinquent if not paid by the due date and a penalty charge of 2.5% will be imposed on the unpaid balance.

Combined History of Sewer Fund and Drainage Fund Revenues and Expenses

General. The City accounts for the Utility System revenues in the Sewer Fund and the Stormwater Drainage Fund (“Drainage Fund”), which are enterprise funds for accounting purposes. The following table presents a history of the City’s combined Sewer Fund and Drainage Fund revenues, expenditures and changes in fund balance for the fiscal years ended June 30, 2013 through 2017; and augmented budgeted revenues, expenditures and changes in combined fund balance for the fiscal year ended June 30, 2018. See “Introduction--FORWARD-

LOOKING STATEMENTS.” The information in this table should be read together with the City’s audited financial statements for the year ended June 30, 2017, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in “INTRODUCTION--Additional Information.”

Reserve Policy – Enterprise Funds. The City’s enterprise fund policy is to maintain an operating reserve covering a minimum of 30 days of expenses to a maximum of 90 days; and to maintain a capital project reserve at 2.0% of the total (original) cost of system fixed assets, or \$50,000, whichever is greater. The City is in compliance with this policy.

Sewer Fund and Drainage Fund Summary of Combined Revenues, Expenses and Changes in Net Position and Fiscal Year 2018 Budget

<u>Fiscal Year Ended June 30,</u>	2013	2014	2015	2016	2017	2018
	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>Augmented (Budgeted)⁽¹⁾</u>
Operating Revenues						
Utility fees and charges	<u>\$8,635,169</u>	<u>\$9,724,820</u>	<u>\$11,410,696</u>	<u>\$12,817,802</u>	<u>\$14,357,823</u>	<u>\$16,461,194</u>
Total operating revenues	<u>\$8,635,169</u>	<u>\$9,724,820</u>	<u>\$11,410,696</u>	<u>\$12,817,802</u>	<u>\$14,357,823</u>	<u>\$16,461,194</u>
Operating Expenses						
Salaries and wages	1,491,082	1,658,188	1,603,369	1,666,303	1,536,957	1,863,540
Employee benefits	618,391	751,387	754,119	709,215	852,621	904,333
Services and supplies	3,864,039	3,710,130	3,772,320	3,745,988	3,952,219	4,923,773
Depreciation and amortization	<u>3,481,450</u>	<u>3,497,155</u>	<u>3,609,361</u>	<u>3,598,737</u>	<u>3,707,029</u>	<u>3,795,000</u>
Total operating expenses	<u>9,454,962</u>	<u>9,643,860</u>	<u>9,739,169</u>	<u>9,720,243</u>	<u>10,048,826</u>	<u>11,486,646</u>
Operating Income (Loss)	<u>(819,793)</u>	<u>80,960</u>	<u>1,671,527</u>	<u>3,097,559</u>	<u>4,308,997</u>	<u>4,974,548</u>
Nonoperating Revenues (Expenses)						
Investment earnings	6,139	12,903	10,763	76,237	30,884	11,500
Miscellaneous	7,500	750	--	21,669	24,332	23,000
Interest expense	(668,723)	(620,880)	(501,148)	(752,949)	(1,131,103)	(1,634,904)
Federal interest subsidy	2,013	1,771	1,700	1,617	1,508	1,550
Gain (loss) on sale of assets	(30,606)	--	(107)	(76,444)	4,085	--
Bond issuance costs	<u>(29,008)</u>	<u>(190,452)</u>	<u>(125,836)</u>	<u>(179,444)</u>	<u>(1,402)</u>	<u>(303,521)</u>
Total nonoperating revenues (expenses)	<u>(712,685)</u>	<u>(795,908)</u>	<u>(614,628)</u>	<u>(909,314)</u>	<u>(1,071,696)</u>	<u>(1,902,375)</u>
Income (loss) before Capital Contributions	<u>(1,532,478)</u>	<u>(714,948)</u>	<u>1,056,899</u>	<u>2,188,245</u>	<u>3,237,301</u>	<u>3,072,173</u>
Capital Contributions⁽²⁾						
Capital assets	4,283	29,507	103,200	29,401	157,214	--
Capital grants	885	80,579	--	--	--	--
Developers	--	6,474	23,755	173,295	41,974	--
Sewer System Connection Charges	<u>20,093</u>	<u>33,851</u>	<u>40,932</u>	<u>60,408</u>	<u>244,160</u>	<u>153,000</u>
Total Capital Contributions	<u>25,261</u>	<u>150,411</u>	<u>167,887</u>	<u>263,104</u>	<u>443,348</u>	<u>153,000</u>
Transfers in (out)	<u>(1,191)</u>	<u>(13,826)</u>	<u>(35,884)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Changes in net position	<u>(1,508,408)</u>	<u>(578,363)</u>	<u>1,188,902</u>	<u>2,451,349</u>	<u>3,680,649</u>	<u>3,225,173</u>
Net Position, July 1	<u>57,880,615</u>	<u>56,372,207</u>	<u>55,540,943</u>	<u>54,465,535</u>	<u>56,907,884</u>	<u>60,588,533</u>
Prior Period Restatement⁽³⁾	<u>--</u>	<u>(252,901)</u>	<u>(2,273,310)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Position, July 1 (restated)	<u>57,880,615</u>	<u>56,119,306</u>	<u>53,267,633</u>	<u>54,456,535</u>	<u>56,907,884</u>	<u>60,588,533</u>
Net Position, June 30	<u>\$56,372,207</u>	<u>\$55,540,943</u>	<u>\$54,456,535</u>	<u>\$56,907,884</u>	<u>\$60,588,533</u>	<u>\$63,813,706</u>

(1) Net positions as of the beginning and end of the fiscal year are not included in the budgetary presentations in these columns.

(2) Includes Sewer System Connection Charges.

(3) This restatement was due to GASB No. 65 pertaining to new accounting treatment of unamortized debt issuance costs.

Source: City's CAFRs for fiscal years 2013-2017, and the City's fiscal year 2018 augmented budget adopted on January 4, 2018.

Additional Bonds

The Bond Ordinance permits the City to issue additional bonds which have a lien on the Pledged Revenue which is superior to, on a parity with, or subordinate to, the lien thereon of the Bonds. Prior to issuing any additional Superior Securities or Parity Securities, however, certain conditions set forth in the Bond Ordinance must be satisfied. Portions of the Bond Ordinance provisions regarding additional bonds are set forth below. Additional provisions of the Bond Ordinance regarding additional bonds (including refunding bonds) are provided in Appendix B—Summary of Certain Provisions of the Bond Ordinance—Additional Bonds.

Superior Securities. Nothing in the Bond Ordinance, except as expressly hereinafter provided, shall prevent the issuance by the City of securities payable from Pledged Revenues and constituting a lien thereon superior and senior to the lien thereon of the Bonds and any Parity Securities, provided, however, that the following are express conditions to the authorization and issuance of any such Superior Securities:

(1) The 1998 Bonds shall all no longer be Outstanding (the final payment date is July 1, 2018).

(2) At the time of adoption of the instrument authorizing the issuance of the additional Superior Securities, the City shall not be in default in the payment of the principal of or interest on the Bonds.

(3) So long as the Bonds are Outstanding, the Pledged Revenues (subject to adjustments as provided in the Bond Ordinance) projected by the Chief Financial Officer, as the chief financial officer of the City, the City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Superior Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Superior Securities, including the Superior Securities proposed to be issued, will be sufficient to pay at least an amount equal to the combined maximum annual principal and interest requirements (to be paid during any one Bond Year in which the additional Superior Securities are issued and ending on the principal payment date of the year in which any then Outstanding Bonds last mature) of the Outstanding Bonds, any Outstanding Superior Securities and the Superior Securities proposed to be issued (excluding any reserves therefor).

(4) The Superior Securities proposed to be issued shall not be issued as general obligations but shall be issued solely as special obligations secured by and payable from the Pledged Revenues.

Parity Securities. Nothing in the Bond Ordinance, except as expressly hereinafter provided, shall prevent the issuance by the City of additional securities payable from Pledged Revenues and constituting a lien thereon on a parity with the lien thereon of the Bonds, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

(1) At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the City shall not be in default in the payment of the principal of or interest on the Bonds.

(2) So long as the Bonds are Outstanding, the Pledged Revenues (subject to adjustments as provided in the Bond Ordinance) projected by the Chief Financial Officer, City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to the combined maximum annual principal and interest requirements (to be paid during any one Bond Year in which the additional Parity Securities are issued and ending on the principal payment date of the year in which any then Outstanding Bonds last mature) of the Outstanding Bonds, any Outstanding Superior Securities, any Outstanding Parity Securities and the Parity Securities proposed to be issued (excluding any reserves therefor).

Subordinate Securities. Nothing in the Bond Ordinance, except as expressly hereinafter provided, shall prevent the City from issuing additional securities payable from Pledged Revenues and constituting a lien thereon subordinate to the lien thereon of the Bonds and any Parity Securities.

PROPERTY TAX INFORMATION

Property Tax Base and Tax Roll

The Nevada Department of Taxation reported the assessed valuation of property within the City for the fiscal year ending June 30, 2018 to be \$1,502,046,933 (excluding the assessed valuation attributable to the Redevelopment Agency), which represents a 3.9% increase from the assessed valuation reported for the prior fiscal year. Based on a preliminary report from the Nevada Department of Taxation dated February 15, 2018, the assessed value within the City is expected to increase to \$1,568,840,311 (excluding the assessed valuation attributable to the Redevelopment Agency) (subject to change until July 1, 2018) for fiscal year 2019, which would represent an increase of 4.4% over the current fiscal year.

State law requires that the county assessor reappraise, at least once every five years, all real and secured personal property (other than certain utility owned property which is centrally appraised and assessed by the Nevada Tax Commission). The law provides that in years in which the property is not reappraised, the county assessor is to apply a factor representing typical changes in value in the area since the preceding year. State law requires that property be assessed at 35% of taxable value; that percentage may be adjusted upward or downward by the Legislature. Based on the assessed valuation for fiscal year 2018, the taxable value of all taxable property within the City is \$4,291,562,665 (excluding the taxable value attributable to the Redevelopment Agency).

“Taxable value” is defined in the statutes as the full cash value in the case of land and as the replacement cost less straight-line depreciation in the case of improvements to land and in the case of taxable personal property, less depreciation in accordance with the regulations of the Nevada Tax Commission but in no case an amount in excess of the full cash value. Depreciation of improvements to real property must be calculated at 1.5% of the cost of replacement for each year of adjusted actual age up to a maximum of 50 years. Adjusted actual age is actual age adjusted for any addition or replacement. The maximum depreciation allowed is 75% of the cost of replacement. When a substantial addition or replacement is made to depreciable property, its “actual age” is adjusted i.e., reduced to reflect the increased useful term of the structure. The adjusted actual age has been used on appraisals for taxes since 1986-87.

In Nevada, county assessors are responsible for assessments in the counties except for certain properties centrally assessed by the State, which include property owned by railroads, airlines, and utility companies.

History of Assessed Value

The following table sets forth a history of the assessed valuation in the City. However, due to property tax abatement laws enacted in 2005 (described in “Required Property Tax Abatements” below) the taxes collected by taxing entities within the City are capped and there is no longer a direct correlation between tax collections and assessed value.

History of Assessed Value

<u>Fiscal Year Ended June 30</u>	<u>Assessed Valuation⁽¹⁾</u>	<u>Percent Change</u>
2014	\$1,238,756,058	(10.4)
2015	1,286,890,682	3.9
2016	1,373,408,853	6.7
2017	1,445,154,773	5.2
2018	1,502,046,933	3.9

⁽¹⁾Excludes the assessed valuation of the Redevelopment Agency.

Source: State of Nevada Department of Taxation, *Property Tax Rates for Nevada Local Governments*, 2013-14 through 2017-18.

Property Tax Collections

General. In Nevada, county treasurers are responsible for the collection of property taxes, and forwarding the allocable portions thereof to the overlapping taxing units within the counties.

Taxes on real property are due on the third Monday in August unless the taxpayer elects to pay in installments on or before the third Monday in August and the first Mondays in October, January, and March of each fiscal year. Penalties are assessed if any taxes are not paid within 10 days of the due date as follows: 4% of the delinquent amount if one installment is delinquent, 5% of the delinquent amount plus accumulated penalties if two installments are delinquent, 6% of the delinquent amount plus accumulated penalties if three installments are delinquent and 7% of the delinquent amount plus accumulated penalties if four installments are delinquent. In the event of nonpayment, the county treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with interest at the rate of 10% per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the county treasurer obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the county treasurer may sell the property to satisfy the tax lien and assessments by local governments for improvements to the property.

Property Tax Collection Information. A history of the City’s tax roll collection record appears in the following table. *This table reflects all amounts collected by the City, including amounts levied pursuant to tax override levies that are limited to specific purposes and that are not available to pay debt service on the Bonds.* The table below provides information with respect to the historic collection rates for the City. There is no assurance that collection rates will be similar to the historic collection rates depicted below.

Property Tax Levies, Collections and Delinquencies⁽¹⁾

Amounts in Thousands

Fiscal Year Ending June 30	Net Secured Roll Tax Levy ⁽²⁾	Current Tax Collections	% of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Tax Collections as % of Current Levy ⁽³⁾
2013	\$40,823	\$40,082	98.18%	\$741	\$40,823	100.00%
2014	39,994	39,314	98.30	679	39,993	99.99
2015	41,063	40,489	98.60	565	41,054	99.98
2016	41,696	41,237	98.90	426	41,663	99.92
2017	42,164	41,916	99.41	112	42,028	99.68
2018	43,845	32,339 ⁽⁴⁾	73.76	0 ⁽⁵⁾	32,339	76.76

⁽¹⁾ Subject to revision. Represents the real property tax roll levies and collections.

⁽²⁾ Adjusted county tax levied for the fiscal year.

⁽³⁾ Percentage of total taxes collected to date (calculated on the Net Secured Roll Tax Levy).

⁽⁴⁾ Collections as of December 31, 2017.

⁽⁵⁾ Collections in progress.

Source: The City Treasurer's Office.

Largest Taxpayers

The following table represents the ten largest property-owning taxpayers in the City based on fiscal year 2017-18 assessed valuations. The assessed valuations in this table represent both the secured tax roll (real property) and the unsecured tax roll (defined generally as taxable property which does not attach to the real estate, such as business equipment and fixtures, mobile/manufactured homes and airplanes). No independent investigation has been made of, and consequently there can be no representation as to, the financial conditions of the taxpayers listed, or that any such taxpayer will continue to maintain its status as a major taxpayer based on the assessed valuation of its property in the City.

Ten Largest Taxpayers in the City
Fiscal Year 2017-18

<u>Taxpayer</u>	<u>Type of Business</u>	<u>FY 2017-18 Assessed Value</u>	<u>% of Total Assessed Value⁽¹⁾</u>
Southwest Gas	Gas Distribution	\$ 23,611,112	1.50%
NV Energy	Electric Company	19,791,218	1.25
Carson-Tahoe Hospital	Healthcare Provider	9,105,728	0.58
ARHC CTCRCNV001 LLC	Healthcare Provider	7,559,629	0.48
C&A Investments	Property Management	6,195,749	0.39
Nevada Bell Telephone Co.	Utilities	5,359,834	0.34
Carson Gaming LLC	Casino/Entertainment	5,014,539	0.32
Carson Fandango	Hotels/Casinos	4,984,761	0.32
Harley-Davidson Credit Corp	Financial Services	4,657,018	0.29
Wal-Mart Real Estate Business Trust	Retail Warehouse	<u>4,607,366</u>	<u>0.29</u>
Total		\$90,886,954	5.76%

⁽¹⁾ Based on the City's fiscal year 2017-2018 assessed valuation of \$1,578,809,029 (which includes the assessed valuation attributable to the Redevelopment Agency).

Source: Nevada Department of Taxation, Division of Local Government Services, *Ten Highest Assessed Taxpayers Statewide and All Counties*.

Property Tax Limitations

Overlapping Property Tax Caps. Article X, Section 2, of the State constitution limits the total ad valorem property taxes levied by all overlapping governmental units within the boundaries of any county (i.e., the State, and any county, city, town, school district or special district) to an amount not to exceed five cents per dollar of assessed valuation (\$5 per \$100 of assessed valuation) of the property being taxed. Further, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation in all counties of the State with certain exceptions that (a) permit a combined overlapping tax rate of up to \$4.50 per \$100 of assessed valuation in the case of certain entities that are in financial difficulties (or require a combined overlapping tax rate of \$5.00 per \$100 of assessed valuation in certain circumstances of severe financial emergency); and (b) require that \$0.02 of the statewide property tax rate of \$0.17 per \$100 of assessed valuation is not included in computing compliance with this \$3.64 cap. (This \$0.02 is, however, counted against the \$5.00 cap). State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness in any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation, a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon.

Local Government Property Tax Revenue Limitation. State statutes limit the revenues local governments, other than school districts, may receive from ad valorem property taxes for purposes other than paying certain general obligation indebtedness which is exempt from such ad valorem revenue limits. These revenue limitations do not apply to ad valorem taxes levied to repay the Bonds, which are exempt from such ad valorem revenue limits. This rate is generally limited as follows: the assessed value of property is first differentiated between

that for property existing on the assessment rolls in the prior year (old property) and new property. Second, the property tax revenue derived in the prior year is increased by no more than 6% and the tax rate to generate the increase is determined against the current assessed value of the old property. Finally, this tax rate is applied against all taxable property to produce the allowable property tax revenues. This cap operates to limit property tax revenue dependent upon changes in the value of old property and the growth and value of new property.

A local government, other than a school district, may exceed the property tax revenue limitation if the proposal is approved by its electorate at a general or special election. In addition, the Executive Director of the Nevada Department of Taxation will add, to the allowed revenue from ad valorem taxes, the amount approved by the Legislature for the costs to a local government of any substantial programs or expenses required by legislative enactment. In the event sales tax estimates from the Nevada Department of Taxation exceed actual revenues available to local governments, Nevada local governments receiving such sales tax may levy a property tax to make up the revenue shortfall.

The City is levying a tax override as allowed by State statutes.

State statutes limit the revenues school districts may receive from ad valorem property taxes for operating purposes. Pursuant to NRS 387.195, each board of county commissioners shall levy a tax of \$0.75 per \$100 of assessed valuation for the support of the public schools within the county school district. School districts are also allowed additional levies for voter-approved debt service and voter-approved tax overrides for capital projects.

The Nevada Tax Commission monitors the impact of tax legislation on local government services.

Constitutional Amendment - Abatement of Taxes for Severe Economic Hardship.

At the November 5, 2002 election, the State's voters approved an amendment to the State constitution authorizing the Legislature to enact a law providing for an abatement of the tax upon or an exemption of part of the assessed value of an owner-occupied single-family residence to the extent necessary to avoid severe economic hardship to the owner of that residence.

The legislation implementing that amendment provides that the owner of a single-family residence may file a claim with the county treasurer to postpone the payment of all or part of the property tax due against the residence if (among other requirements): the residence has an assessed value of not more than \$175,000; the property owner does not own any other real property in the State with an assessed value of more than \$30,000; the residence has been occupied by the owner for at least six months; the owner is not in bankruptcy; the owner owes no delinquent property taxes on the residence; the owner has suffered severe economic hardship caused by circumstances beyond his control (such as illness or disability expected to last for at least 12 continuous months); and the total annual income of the owner's household is at or below the federally designated poverty level. The amount of tax that may be postponed may not exceed the amount of property tax that will accrue against the residence in the succeeding three fiscal years. Any postponed property tax (and any penalties and the interest that accrue as provided in the statute) constitutes a perpetual lien against the residence until paid. The postponed tax becomes due and payable if: the residence ceases to be occupied by the claimant or is sold; any

non-postponed property tax becomes delinquent; if the claimant dies; or on the date upon which the postponement expires, as determined by the county treasurer.

Required Property Tax Abatements

General. In 2005, the Legislature approved the NRS 361.471 to 361.4735 (the “Abatement Act”), which established formulas to determine whether tax abatements are required for property owners in each year. The general impact of the Abatement Act is to limit increases in ad valorem property tax revenues owed by taxpayers to a maximum of 3% per year for owner-occupied residential properties (and low-income housing properties) and to 8% (or a lesser amount equal to the average annual change in taxable values over the last ten years, as determined by a formula) per year for all other properties. The Abatement Act limits do not apply to new construction. The Abatement Act formulas are applied on a parcel-by-parcel basis each year.

Generally, reductions in the amount of ad valorem property tax revenues levied in the county are required to be allocated among all of the taxing entities in the county in the same proportion as the rate of ad valorem taxes levied for that taxing entity bears to the total combined rate of all ad valorem taxes levied for that fiscal year. However, abatements caused by tax rate increases are to be allocated against the entity that would benefit from the tax increase rather than among all entities uniformly. Revenues realized from new or increased ad valorem taxes that are required by any legislative act that was effective after April 6, 2005, generally are exempt from the abatement formulas. The Abatement Act provides for the recapture of previously abated property tax revenues in certain limited situations.

Levies for Debt Service. Revenues resulting from increases in the rate of ad valorem taxes for the payment of tax-secured obligations are exempt from the Abatement Act formulas if increased rates are necessary to pay debt service on the related obligation in any fiscal year if (1) the tax-secured obligations were issued before July 1, 2005; or (2) the governing body of the taxing entity and the county Debt Management Commission make findings that no increase in the rate of an ad valorem tax is anticipated to be necessary for payment of the obligations during their term. Any levy of property taxes needed to repay the Bonds would be exempt from abatement.

General Effects of Abatement. Limitations on property tax revenues could negatively impact the finances and operations of the taxing entities in the State, including the City, to an extent that cannot be determined at this time. Historically, however, the Abatement Act has impacted General Fund revenues. Abated property taxes were \$4,088,729 and \$5,710,095 in fiscal years 2016 and 2017, and are estimated to be \$6,689,090 in fiscal year 2018.

Overlapping Tax Rates and General Obligation Indebtedness

Overlapping Tax Rates. The following table sets forth a history of statewide average tax rates and a representative overlapping tax rate for City. The overlapping rates for areas within the City vary depending on the rates imposed by applicable taxing jurisdictions. The tax rates in Carson City range from \$3.5400 to \$3.5700 in fiscal year 2018.

History of Statewide Average and Sample Overlapping Property Tax Rates⁽¹⁾

<u>Fiscal Year Ended June 30,</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Average Statewide rate	\$3.1212	\$3.1232	\$3.1360	\$3.1500	\$3.1615
Carson City	\$2.1800	\$2.1600	\$2.1400	\$2.1400	\$2.1900
Carson City School District	1.1800	1.1800	1.1800	1.1800	1.1800
Carson Water Subconservancy District	0.0300	0.0300	0.0300	0.0300	0.0300
State of Nevada ⁽²⁾	0.1700	0.1700	0.1700	0.1700	0.1700
Total	\$3.5600	\$3.5400	\$3.5200	\$3.5200	\$3.5700

⁽¹⁾ Per \$100 of assessed valuation.

⁽²⁾ \$0.0200 of the State rate is exempt from the \$3.64 cap. See “Property Tax Limitations” above.

Source: *Property Tax Rates for Nevada Local Governments* - State of Nevada, Department of Taxation, 2013-14 through 2017-18.

Estimated Overlapping General Obligation Indebtedness. In addition to the general obligation indebtedness of the City, other taxing entities are authorized to incur general obligation debt within boundaries that overlap or partially overlap the boundaries of the City. In addition to the entities listed below, other governmental entities may overlap the City but have no general obligation debt outstanding. The following chart sets forth the estimated overlapping general obligation debt (including general obligation medium-term bonds) chargeable to property owners within the City as of March 1, 2018.

Estimated Overlapping Net General Obligation Indebtedness

<u>Entity⁽¹⁾</u>	<u>Total</u> <u>General</u> <u>Obligation</u> <u>Indebtedness</u>	<u>Presently</u> <u>Self-Supporting</u> <u>General</u> <u>Obligation</u> <u>Indebtedness</u>	<u>Net Direct</u> <u>General</u> <u>Obligation</u> <u>Indebtedness</u>	<u>Percent</u> <u>Applicable⁽²⁾</u>	<u>Overlapping</u> <u>Net General</u> <u>Obligation</u> <u>Indebtedness⁽³⁾</u>
Carson City School District	\$ 59,018,000	0	\$ 59,018,000	100.00%	\$59,018,000
State of Nevada	1,435,015,000	\$ 299,245,000	1,135,770,000	1.34	15,261,416
Total	\$1,494,033,000	\$299,245,000	\$1,194,788,000		\$74,279,416

⁽¹⁾ Other taxing entities overlap the City and may issue general obligation debt in the future.

⁽²⁾ Based on fiscal year 2018 assessed valuation in the respective jurisdiction. The percent applicable is derived by dividing the assessed valuation of the City into the assessed valuation of the governmental entity (excluding redevelopment agencies).

⁽³⁾ Overlapping Net General Obligation Indebtedness equals total existing general obligation indebtedness less presently self-supporting general obligation indebtedness times the percent applicable.

Sources: Carson City School District; Nevada State Treasurer’s Office – Debt Management; percentages calculated using information from State of Nevada, Department of Taxation, Division of Local Government Services, *Local Government Finance Property Tax Rates for Nevada Local Governments Fiscal Year 2017-2018*.

The following table sets forth the total net direct and overlapping general obligation indebtedness attributable to the City as of March 1, 2018 (after taking the issuance of the Bonds into account).

Net Direct & Overlapping General Obligation Indebtedness

Total General Obligation Indebtedness ⁽¹⁾	\$180,145,719
Less: Self-supporting General Obligation Indebtedness ⁽¹⁾	<u>174,041,919</u>
Net Direct General Obligation Indebtedness	\$ 6,103,800
Plus: Overlapping Net General Obligation Indebtedness	<u>74,279,416</u>
Net Direct & Overlapping Net General Obligation Indebtedness	\$ 80,383,216

⁽¹⁾ As of March 1, 2018; after taking the issuance of the Bonds into account. See “DEBT STRUCTURE-- Outstanding Indebtedness and Other Obligations.”

Selected Debt Ratios

The following table sets forth historical ratios relating to the City’s outstanding general obligation debt.

Selected Direct General Obligation Debt Ratios

Population ⁽¹⁾	55,438
Net Direct Debt ⁽²⁾	\$ 6,103,800
Overlapping Debt ⁽²⁾⁽³⁾	<u>74,279,416</u>
Total Direct Debt & Overlapping Debt.....	\$80,383,216
Per Capita Net Direct Debt	\$110.10
Per Capita Net Total Direct Debt & Overlapping Debt	\$1,449.97
2017 Assessed Valuation ⁽⁴⁾	\$1,502,046,933
% Net Direct Debt to Assessed Valuation	0.41%
% Net Total Direct Debt & Overlapping Debt to Assessed Valuation	5.35%
2017 Taxable Value ⁽⁴⁾	\$4,291,562,666
% Net Direct Debt to Taxable Value	0.14%
% Net Total Direct Debt & Overlapping Debt to Taxable Value	1.87%

⁽¹⁾ Nevada State Demographer estimate as of July 1, 2017.

⁽²⁾ As of March 1, 2018; after taking the issuance of the Bonds into account. See “DEBT STRUCTURE-- Outstanding Debt and Other Obligations.” Also see the table entitled “Net Direct & Overlapping General Obligation Indebtedness” above.

⁽³⁾ Figure is estimated based on information supplied by other taxing authorities and does not include self-supporting general obligation debt. See the table “Estimated Overlapping General Obligation Debt.”

⁽⁴⁾ See “Property Tax Base and Tax Roll Collection” for an explanation of the Assessed Value and Taxable Value.

Sources: Nevada State Demographer website and Nevada Department of Taxation State of Nevada, Department of Taxation, Division of Local Government Services, *Local Government Finance Property Tax Rates for Nevada Local Governments Fiscal Year 2017-2018*, and the City.

THE CITY

General

The City is located in the northwestern part of the State approximately 30 miles south of Reno and 14 miles east of Lake Tahoe. The City was formerly the county seat of Ormsby County; the City and Ormsby County were made a consolidated municipality on July 1, 1969. The City is the State capital and the seat of State government. The total area of the municipality is 147 square miles, of which federal and State government agencies control approximately 55%.

The City provides its citizens with police and fire protection, health and social services, public improvements, planning and zoning, water and sewer utilities and other governmental services.

Governing Body

The City is governed by the Board which is composed of a Mayor, who is elected at large, and four Supervisors. Each Supervisor represents one of the City's wards and must reside within that ward. The Board meets on the first and third Thursdays of each month. Board members are limited to 12 years in office pursuant to State constitutional term limitations.

The current members of the Board and their terms of office are as follows:

<u>Name and Title</u>	<u>Principal Occupation</u>	<u>Year First Elected/ Appointed</u>	<u>Current Term Expires</u>
Robert Crowell, Mayor	Attorney	11/2008	1/2021
Karen Abowd, Mayor Pro Tem, Ward 1	Small Business Owner	11/2010	1/2019
Brad Bonkowski, Ward 2	Small Business Owner	11/2012	1/2021
Lori Bagwell, Ward 3	Small Business Owner	11/2014	1/2019
John Barrette, Ward 4	Journalist	11/2016	1/2021

Administration

The City Manager is appointed by the Board and oversees the day-to-day operations of the City. The City Manager is employed pursuant to an employment contract with the Board. He is charged with performing administrative duties assigned by the Board and may appoint clerical and administrative assistants as he deems necessary, subject to the approval of the Board. The Chief Financial Officer also is appointed by the Board. The City Treasurer is an elected official of the City.

Nick Marano, City Manager. Nick Marano was appointed the City Manager for Carson City in May 2014. Nick brings over thirty years' experience of leadership in the public sector. As City Manager, Nick has focused his priorities on conservative fiscal planning, transparency and lean management. Nick was born and raised on the East Coast and graduated in 1984 from St. Joseph's University with a B.S. in Finance. He served 28 years on active duty as an infantry officer in the Marine Corps and retired as a colonel. Nick's last position was the

Commanding Officer of the Corps' largest base, Camp Pendleton, CA from 2009-2012. Nick served four combat tours in Iraq from 2003-2007, commanding a highly decorated infantry battalion.

Gayle Robertson, City Treasurer. Gayle Robertson was appointed as the Carson City Treasurer in April 2015. Most of her career prior to this appointment was in public accounting. Gayle graduated from the University of California at Davis, California with a Bachelor degree in Economics and completed one year of graduate studies in Business Administration at the University of Nevada Reno. Gayle has been a Certified Public Accountant since June 1978.

Jason Link, Chief Financial Officer. Jason Link was appointed the Chief Financial Officer for Carson City in October 2017. He graduated from the University of Oregon in 1999 with a B.S. in Accounting and is currently completing a master's in public administration and policy from American University in Washington D.C., with an expected completion date in 2018. Jason brings over twenty years of experience in public sector finance. Jason has been a Certified Public Accountant since August 2001. Prior to leaving public accounting, he was the Senior Audit Manager for a regional CPA firm, working exclusively in the accounting, auditing and attest functions. His clients included global manufacturers, non-profits and governmental agencies. Jason's immediately preceding positions were the elected treasurer and appointed chief financial officer for Klamath County, Oregon.

Jason Woodbury, District Attorney. A native Nevadan, Jason Woodbury was elected Carson City District Attorney in 2014. Prior to his election, Jason was a partner in the statewide law firm of Kaempfer Crowell where he practiced primarily in the field of litigation. Earlier in his career, Jason worked in the Carson City District Attorney's office, serving as a deputy prosecutor and later in the civil division. Jason earned his Juris Doctorate from the University of Utah after completing his undergraduate education at the University of Nevada.

Employee Relations and Pension Benefits

Employee Relations. As of January 31, 2018, the City had 580 full-time and 172 part-time employees. The City is an equal opportunity employer with seven employee bargaining units which under State law are permitted to negotiate but are prohibited from striking. The City currently has multiyear contracts with five of these seven units. The Carson City Employees Association ("CCEA") contract is effective through June 30, 2021. The Firefighter's Association contract is effective through June 30, 2023 and the Firefighters Battalion Chief Commanders contract is effective through June 30, 2020. The Sheriff's Lieutenants and Captains Association contract is effective through June 30, 2019. The Carson City Deputy Sheriff's Association and the Department of Alternative Sentencing contracts are effective through June 30, 2021. The Sheriff's Sergeants contract is effective through June 30, 2018. According to the City's Chief Financial Officer, the state of employee relations is good.

Benefits. The City offers health, life, dental, and vision benefits to active employees, which include an HMO and POS option. The City covers the cost of the HMO option for eligible employees; employees choosing the POS option are responsible for the excess cost

over the HMO plan. A portion of the premiums for spouses and dependents also are covered pursuant to certain of the employment contracts. The City also offers a deferred compensation plan that employees may elect to contribute to; there is no City match. Pursuant to the terms of the applicable employee contract, an employee accrues sick leave as well as annual leave throughout the year. Unclassified employees receive two weeks of Management Leave which must be used as time off during the year or lost. Certain employee groups can earn comp time. The City also provides workers' compensation and retirement plan contributions (described below) as required by State law.

Pension Matters. The State Public Employees' Retirement System ("PERS") covers substantially all public employees of the State, its agencies and its political subdivisions, including the City. PERS, established by the Legislature effective July 1, 1948, is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. Retirement Board members serve for a term of four years. Except for certain City specific information set forth below, the information in this section has been obtained from publicly-available documents provided by PERS.

All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit plan. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation. Benefit payments to which participants may be entitled under PERS include pension benefits, disability benefits, and death benefits. PERS has several tiers based on legislative changes effective with membership dates. The following table illustrates the PERS service credit multiplier.

Membership Date	<u>PERS Benefit Multiplier</u>				Highest Contiguous Average Over
	Before 07/01/01	<u>Service Credit Multiplier</u>		After 07/01/15	
		After 07/01/01	After 01/01/10		
Before July 1, 2001	2.50%	2.67%	2.67%	2.67%	36 months
After July 1, 2001, before January 1, 2010	--	2.67%	2.67%	2.67%	36 months
After January 1, 2010, before July 1, 2015	--	--	2.50%	2.50%	36 months
After July 1, 2015	--	--	--	2.25%*	36 months

*Except for police officers and firefighters, which have a service credit multiplier of 2.50%.

Similarly, legislative changes have created several tiers of retirement eligibility thresholds. The following table illustrates the PERS retirement eligibility thresholds for regular members.

Nevada PERS Retirement Eligibility

Membership Date	Regular	
	Age	Years of Service
Before January 1, 2010	65	5
	60 ⁽¹⁾	10
	50 ⁽²⁾	20
	Any	25
After January 1, 2010, before July 1, 2015	65	5
	62	10
	60 ⁽¹⁾	10
	50 ⁽²⁾	20
	Any	30
After July 1, 2015	65	5
	62	10
	60 ⁽¹⁾	10
	55	30
	50 ⁽²⁾	20
	Any	33 1/3

⁽¹⁾Age 55 for police or firefighters.

⁽²⁾Applies to police and firefighters only.

Nevada law requires PERS to conduct a biennial actuarial valuation showing unfunded actuarial accrued liability (“UAAL”) and the contribution rates required to fund PERS on an actuarial reserve basis. The actual employer and employee contribution rates are established in cycle with the State’s biennium budget on the first full pay period of the even numbered fiscal years. By PERS policy, the system actually performs an annual actuary study. The most recent independent actuarial valuation report of PERS was completed as of June 30, 2017. The following table reflects some of the key valuation results from the last three PERS’ actuary studies:

PERS Actuarial Report

Key Valuation Results	June 30, 2017	June 30, 2016	June 30, 2015
UAAL	\$13.27 billion	\$12.56 billion	\$12.35 billion
Market Value Funding Ratio	74.4%	72.2%	75.1%
Actuarial Value Funding Ratio	74.5%	74.1%	73.2%
Assets Market Value	\$38.69 billion	\$35.00 billion	\$34.61 billion
Assets Actuarial Value	\$38.72 billion	\$35.90 billion	\$33.72 billion

For the purpose of calculating the actuarially determined contribution rate, the UAAL is amortized as a level percent of payroll over a year-by-year closed amortization period where each amortization period is set at 20 years. The amortization period prior to fiscal year 2012 was 30 years. Effective starting fiscal year 2012, the PERS Board adopted a shorter amortization period to be used to amortize new UAAL resulting from actuarial gains or losses and changes in actuarial assumptions. Any new UAAL is amortized over a period equal to the truncated average remaining amortization period of all prior UAAL layers, until the average remaining amortization period is less than 20 years; after that time, 20-year amortization periods will be used. The PERS Board also adopted a five-year asset smoothing policy for net deferred gains/losses.

For the year ended June 30, 2014, PERS adopted Governmental Accounting Standards Board Statement (“GASB”) No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25 (“GASB 67”). GASB 67 replaces the requirements of GASB Statement Nos. 25 and 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. It requires enhancement to footnote disclosure and required supplementary information for pension plans.

Prior to these new standards, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions and require the unfunded portion of the pension liability to be apportioned among the participating employers. These standards apply for financial reporting purposes only and do not apply to contribution amounts for pension funding purposes.

With the implementation of GASB 67, PERS reported its total pension liability, fiduciary net position, and net pension liability in its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2014, 2015, and 2016. The total pension liability for financial reporting was determined on the same basis as the Actuarial Accrued Liability measure for funding. The fiduciary net position is equal to the market value of assets.

Effective with fiscal year 2015, the City was required to apply the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* (“GASB 68”), to its audited financial statements. Among other requirements, the City was required to report its proportionate share of the total PERS net pension liability in its financial statements.

The following presents the net pension liability of PERS as of June 30, 2016 and the City’s proportionate share of the net pension liability of PERS as of June 30, 2017, calculated using the discount rate of 8.00%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	<u>Net Pension Liability</u>		
	<u>1% Decrease in Discount Rate (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase in Discount Rate (9%)</u>
PERS Net Pension Liability	\$19,725,527,478	\$13,457,132,664	\$8,241,905,366
City Share of PERS Net Pension Liability	138,466,285	94,464,352	57,855,285

Contribution rates to PERS are established in accordance with State statute. The statute allows for biennial increases or decreases of the actuarially determined rate. The Legislature can increase the contribution rate for members by any amount it determines necessary. Pursuant to statute, there is no obligation on the part of the employers to pay for their proportionate share of the unfunded liability. Plan members’ benefits are funded under one of two methods. Under the employer pay contribution plan, the City is required to contribute all

amounts due under the plan. Under the employer/employee paid contribution plan, employees are required to contribute a percentage of their compensation to the plan and the City is required to match that contribution. As of May, 2015, the City had 452 employees participating in the employer pay plan and 129 employees participating in the employer/employee pay plan. Further, as of May, 2015, the City had 154 inactive employees receiving benefits from the PERS system. A history of contribution rates for each funding method, as a percentage of payroll, is shown below.

	<u>Fiscal Years 2012 and 2013</u>	<u>Fiscal Years 2014 and 2015</u>	<u>Fiscal Years 2016 and 2017</u>	<u>Fiscal Years 2016 and 2017</u>	<u>Fiscal Years 2017 and 2018</u>
Regular members					
Employer-pay plan	23.75%	25.75%	28.00%	28.00%	28.00%
Employee/Employer Rate Plan	12.25%	13.25%	14.50%	14.50%	14.50%
Police/Fire employees					
Employer-pay plan	39.75%	40.50%	40.50%	40.50%	40.50%
Employee/Employer Rate Plan	20.25%	20.75%	20.75%	20.75%	20.75%

The City's contributions to PERS for the last five fiscal years are as follows:

<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
\$10,207,624	\$10,055,934	\$10,302,384	\$11,099,260	\$11,281,288

The City has budgeted \$12,113,985 in PERS contributions for the fiscal year ended June 30, 2018.

See Note 4E in the audited financial statements attached hereto as Appendix A for a summary description of PERS. In addition, copies of the most recent audited financial statements for PERS are available from the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, telephone: 775-687-4200.

In addition, the City has one employee that participates in the Judicial Retirement System of the State of Nevada ("JRS"). See Note 4E in the audited financial statements attached hereto as Appendix A for a summary description of JRS.

Other Postemployment Benefits. In addition to the pension benefits described above, the City provides other post-employment benefits ("OPEB") to its eligible retirees. See Note 4D and the Required Supplemental Information in the audited financial statements attached hereto as Appendix A for a detailed description of the City's OPEB plans, eligibility requirements, funding policies, funding status and other material assumptions and procedures. The City's aggregate OPEB contributions for its fiscal years ending 2016 and 2017 were \$2,052,953 and \$1,694,276, respectively. Through January 31, 2018, the City's actual current OPEB contributions total \$1,013,824 for its fiscal year ending 2018.

Effective July 1, 2015, the City established an irrevocable governmental trust under Internal Revenue Code Section 115 and NRS 281.017 designated as the “Carson City, Nevada OPEB Trust Fund” (the “Trust”). The City intends to fund the Trust annually at a rate of approximately 1% of covered payroll, over normal costs. The net OPEB obligation attributable to governmental activities is liquidated primarily by the General Fund. The assets in the Trust are intended to serve as an offsetting asset against the City’s future OPEB liability. As of January 31, 2018, the Trust contained \$1,004,137.

CITY FINANCIAL INFORMATION

Annual Reports

Awards. The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 28th consecutive year that the City has received this recognition. The City has submitted its comprehensive annual financial report for the fiscal year ended June 30, 2017 for award consideration. A Certificate of Achievement is valid for a period of one year only. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

History of City Revenues and Expenditures

General. The purpose of the general fund is to finance the ordinary operations of the City (including debt service to the extent that the ad valorem tax levy is not sufficient to service general obligation debt) and to finance those operations not provided for in other funds. Included are all transactions related to the approved current operating budget, its accompanying revenue, expenditures and encumbrances, and its related asset, liability, and fund equity accounts.

The following table presents a history of the City's General Fund revenues, expenditures and changes in fund balance for the fiscal years ended June 30, 2013 through 2017 and budgeted revenues for the fiscal year ended June 30, 2018.

The information in this table is provided for informational purposes only and does not imply that all of the revenues shown below are legally available to pay debt service on the Bonds. The information in this table should be read together with the City's audited financial statements for the year ended June 30, 2017, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information."

Reserve Policy - General Fund. The City's policy is to maintain an unreserved ending fund balance in the General Fund equal to a minimum of 5% of annual expenditures, with a goal of 8.3% of expenditures. The City is in compliance with this policy.

General Fund Summary of Revenues, Expenditures and Changes in Fund Balance

<u>Fiscal Year Ended June 30,</u>	2013 <u>(Audited)</u>	2014 <u>(Audited)</u>	2015 <u>(Audited)</u>	2016 <u>(Audited)</u>	2017 <u>(Audited)</u>	2018 <u>(Budgeted)</u>
Revenues						
Property taxes	\$21,258,565	\$21,211,280	\$21,787,285	\$22,314,986	\$22,608,987	\$23,290,000
Licenses and permits	6,513,296	6,909,449	6,807,369	6,729,601	6,562,319	6,810,651
Intergovernmental revenues	19,825,135	20,733,724	22,993,975	25,516,634	28,286,192	29,421,891
Other intergovernmental revenue ⁽²⁾	1,376,215	725,907	710,163	--	--	-
Charges for services	10,698,301	11,191,650	11,501,032	12,213,290	12,714,864	12,424,731
Fines & forfeitures	895,935	846,507	818,911	692,386	764,906	716,200
Miscellaneous	<u>1,524,791</u>	<u>1,573,016</u>	<u>1,830,460</u>	<u>1,837,198</u>	<u>1,378,005</u>	<u>1,229,508</u>
Total Revenues	<u>62,092,238</u>	<u>63,191,533</u>	<u>66,449,195</u>	<u>69,304,095</u>	<u>72,315,273</u>	<u>73,892,981</u>
Expenditures						
Current						
General government	13,555,934	14,345,548	14,925,271	14,892,397	15,081,020	16,948,592
Public Safety	27,385,405	27,668,275	29,094,708	30,239,056	30,626,879	32,817,156
Judicial	4,965,770	5,233,733	5,401,494	5,880,439	6,423,660	5,457,269
Public works	1,711,787	1,819,270	1,829,518	2,188,955	2,158,460	2,216,343
Sanitation	1,558,251	1,579,314	1,506,921	1,604,969	1,840,005	2,124,160
Health	2,137,576	2,318,800	2,547,798	2,838,047	2,655,322	2,754,529
Welfare	266,276	337,846	318,563	261,787	356,595	535,833
Culture & recreation	5,245,418	5,295,220	5,499,512	5,800,873	5,721,113	6,189,965
Community support	458,979	458,979	463,770	368,771	331,134	340,242
Economic Opportunity	--	--	--	--	--	0
Capital Outlay	<u>148,004</u>	<u>404,913</u>	<u>61,592</u>	<u>126,671</u>	<u>271,901</u>	<u>0</u>
Total Expenditures	<u>57,433,400</u>	<u>59,461,898</u>	<u>61,649,147</u>	<u>64,201,965</u>	<u>65,466,089</u>	<u>69,384,086</u>
Excess (deficiency) of revenues over expenditures	<u>4,658,838</u>	<u>3,729,635</u>	<u>4,800,048</u>	<u>5,102,130</u>	<u>6,849,184</u>	<u>4,508,895</u>
Contingency (budget only)						(2,426,280)
Other	632	--	--	10,300	--	0
Capital leases	--	--	--	--	54,845	0
Operating transfers in	529,800	540,724	--	--	582,321	120,948
Operating transfers out ⁽¹⁾	<u>(3,784,668)</u>	<u>(4,115,329)</u>	<u>(3,623,310)</u>	<u>(4,559,600)</u>	<u>(6,270,476)</u>	<u>(6,437,822)</u>
Total	<u>(3,254,236)</u>	<u>(3,574,605)</u>	<u>(3,623,310)</u>	<u>(4,559,600)</u>	<u>(5,633,310)</u>	<u>(8,743,154)</u>
Net Changes in Fund Balance	<u>1,404,602</u>	<u>155,030</u>	<u>1,176,738</u>	<u>552,830</u>	<u>1,215,874</u>	<u>(4,234,259)</u>
Fund Balance, July 1	<u>4,891,942</u>	<u>6,296,544</u>	<u>6,451,574</u>	<u>7,628,312</u>	<u>8,181,142</u>	<u>9,397,016</u>
Fund Balance, June 30	<u>\$6,296,544</u>	<u>\$6,451,574</u>	<u>\$7,628,312</u>	<u>\$8,181,142</u>	<u>\$9,397,016</u>	<u>\$5,162,757</u>

Footnotes on the next page.

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- (1) Consists primarily of transfers to the Debt Service Fund.
 - (2) Intergovernmental revenues are lower in fiscal years 2016 and 2017 because each of the other years includes revenue which was not received in fiscal years 2016 and 2017

Sources: City's CAFRs for fiscal years 2013-2017, and the City's fiscal year 2018 budget.

Management's Discussion and Analysis

Fiscal Year 2017. An overview of the financial activity and overall financial condition of the City for the fiscal year ended June 30, 2017, is presented in the "Management's Discussion and Analysis" section of the audited financial statements attached to this Official Statement as Appendix A. The Management's Discussion and Analysis includes a general description of the City's funds and pertinent results in those funds, a government-wide financial analysis, a brief discussion of economic and budget factors impacting the 2017 fiscal year and other information, including information about State financial difficulties and declining enrollment in the City. Unless discussed elsewhere in this Official Statement, the City is not aware of any material adverse change in its financial condition since June 30, 2017.

Fiscal Year 2018. The General Fund is the chief operating fund of the City. Total fund balance is estimated to be \$5,162,757 at the end of fiscal year 2018. This represents 7.4% of total General Fund expenditures. Notable highlights for fiscal year 2018 include the following. First, consolidated tax revenues for fiscal year 2018 are projected to increase by \$1,083,325 (4%) over the prior year, per the budget, however the first 5 months of the year show an actual increase of 9.4%. This increased revenue represents an increase in taxable sales. Second, total General Fund revenues are projected to be approximately \$73.9 million in fiscal year 2018, an increase of approximately \$1,577,708 (2.2%) from fiscal year 2017 revenues. Third, total General Fund expenditures are projected to be approximately \$69.4 million, an increase of approximately \$3,917,977 (6%) from fiscal year 2017 expenditures. Salaries and benefits comprise 75.9% of total General Fund expenses; services, supplies and one-time capital outlay make up the remaining 24.1%.

Investment Policy

The City pools cash and investment resources of its various funds in order to facilitate the management of its cash and investments. The City's investment policy is generally more restrictive than the statutory authority. See Notes 1 and 3 in Appendix A for a more detailed description of the City's investments and investment practices.

Risk Management

General. The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters.

General liability insurance has a \$1,000,000 maximum coverage per occurrence, \$1,000,000 personal injury, and a \$2,000,000 general aggregate maximum benefit, with a self-insured retention of \$100,000 per occurrence. For property insurance, the policy limit is \$210,000,000 with a deductible of \$25,000 per occurrence. The earth movement policy limit is \$50,000,000 with a deductible of 2% per unit of insurance or \$100,000 per location. The flood

property policy limit is \$50,000,000 with a deductible of \$100,000 per location. The flood property – high hazard zone policy limit is \$5,000,000 with a \$250,000 per location deductible. Other coverage currently held by the City, including airport liability, auto physical damage, boiler and machinery and bonds on public officials, are insured with deductibles varying from \$10,000 to \$25,000.

Workers' Compensation. From July 1, 2003 to July 1, 2010, the City was fully insured for workers compensation through the Public Agency Compensation Trust ("PACT"). The City retains liability for claims for the period from July 1, 1992 to June 30, 2003, when the City was self-insured. Settlements have not exceeded coverages in any of the past three fiscal years.

Beginning July 1, 2010, the City elected to leave PACT and form its own self-insurance program. This program exposes the City to various risks of loss related to large claims based on the health of their work force; therefore, an excess loss policy provides coverage. Statutory limits for worker's compensation coverage is \$1,000,000 for employer's liability limits with self-insured retentions of \$2,000,000 for police and fire employees and \$750,000 for all other employees, per accident. The City's total net assets of the Worker's Compensation Fund were \$1,310,538 and \$1,157,011 at June 30, 2016 and June 30, 2017, respectively.

In the opinion of the Chief Financial Officer, the City's insurance policies provide adequate insurance protection for the City. See Note 4A in Appendix A for further information about the City's risk management program.

DEBT STRUCTURE

Debt Limitation

The Charter limits the aggregate principal amount of the City’s general obligation debt to 15% of the City’s total assessed valuation. The following table presents a record of the City’s outstanding general obligation indebtedness with respect to its statutory debt limitation.

Statutory Debt Limitation

Fiscal Year Ended <u>June 30</u>	Assessed <u>Valuation</u> ⁽¹⁾	<u>Debt Limit</u>	Outstanding General <u>Obligation Debt</u> ⁽²⁾	Additional Statutory Debt <u>Capacity</u>
2014	1,286,332,269	192,949,840	138,359,970	54,589,870
2015	1,338,006,691	200,701,004	178,751,103	21,949,901
2016	1,424,652,666	213,697,900	190,200,848	23,497,052
2017	1,511,939,926	226,790,989	172,741,975	54,049,014
2018 ⁽³⁾	1,578,809,029	236,821,354	180,145,719	56,675,635

- ⁽¹⁾ Includes the assessed value of the Redevelopment Agency, which is included for purposes of calculating the debt limit but generally is not subject to State or local taxation for retirement of general obligation bond debt.
- ⁽²⁾ Includes general obligation bonds, general obligation revenue bonds and general obligation medium-term bonds. Excludes special assessment bonds.
- ⁽³⁾ As of March 1, 2018; after taking the issuance of the Bonds. See “Outstanding Indebtedness and Other Obligations” below.

Sources: The City; Property Tax Rates for Nevada Local Governments - Department of Taxation; State of Nevada.

Outstanding Debt and Other Obligations

Outstanding Debt. The following table presents the outstanding indebtedness of the City as of March 1, 2018, including the Bonds.

Outstanding General Obligation Debt and Other Obligations⁽¹⁾

	Date Issued	Final Maturity	Original Amount	Amount Outstanding
<u>GENERAL OBLIGATION REVENUE BONDS⁽²⁾</u>				
Sewer, Series 1998	08/01/98	07/01/18	\$6,096,302	\$222,713
Water, Series 2009	11/13/09	07/01/29	3,400,000	2,113,513
Water, Series 2010A	07/14/10	11/01/39	10,100,000	10,100,000
Water, Series 2010B	07/14/10	11/01/21	7,095,000	3,365,000
Sewer, Series 2010D	07/14/10	11/01/29	2,690,000	850,000
Water, Series 2010E	10/22/10	07/01/30	21,900,000	16,980,775
Sewer, Series 2010F	10/22/10	07/01/30	2,748,556	2,029,586
Park Refunding, Series 2010	12/22/10	11/01/18	2,505,000	360,000
Various Purpose Refunding, Series 2010	12/22/10	06/01/21	4,705,000	1,850,000
Water Bonds, Series 2012A	03/22/12	11/01/31	15,315,000	11,835,000
Sewer Bonds, Series 2012B	03/22/12	11/01/31	5,935,000	3,285,000
Various Purpose Refunding, Series 2013A	05/30/13	05/01/30	16,520,000	13,715,000
V&T Room Tax Refunding, Series 2013B	05/30/13	06/01/23	3,350,000	2,200,000
Park Refunding, Series 2013C	05/30/13	03/01/30	6,555,000	6,350,000
Water Bonds, Series 2014A	04/04/14	01/01/34	6,000,000	5,585,766
Sewer Bonds, Series 2014B	04/04/14	01/01/34	24,750,000	23,594,671
Water Refunding Bonds, Series 2014C	10/07/14	06/01/25	5,337,000	4,610,000
Sewer Refunding Bonds, Series 2014D	10/07/14	06/01/25	3,638,000	3,062,000
V&T Refunding Bonds, Series 2014E	12/17/14	12/01/25	8,400,000	6,945,000
Infrastructure Sales Tax Bonds, Series 2014F	12/17/14	09/01/44	13,600,000	13,070,000
Sewer, Series 2015A	07/10/15	07/01/35	12,000,000	11,717,895
Sewer, Series 2015B	08/03/15	11/01/34	6,245,000	5,575,000
Cap. Imp. Refunding, Series 2015C	08/03/15	05/01/33	15,410,000	13,750,000
Sewer, Series 2017B	11/07/17	11/01/37	6,000,000	6,000,000
Sewer, Series 2018A*	04/04/18	11/01/37	4,875,000	<u>4,875,000</u>
TOTAL				\$174,041,919
<u>GENERAL OBLIGATION MEDIUM-TERM BONDS⁽³⁾</u>				
Medium-Term Refunding Note, Series 2012	07/18/12	09/01/19	4,259,800	475,800
Medium-Term Note, Series 2014	06/24/14	06/01/24	2,651,000	1,788,000
Medium-Term Note, Series 2017A	07/06/17	06/01/27	3,840,000	<u>3,840,000</u>
TOTAL				<u>6,103,800</u>
GENERAL OBLIGATION GRAND TOTAL				\$180,145,719
<u>REVENUE BONDS</u>				
Highway Revenue Bonds, Series 2008	07/23/08	11/01/19	9,055,000	716,700
Highway Revenue Refunding Bonds, Series 2012	09/26/12	11/01/23	3,332,300	2,244,900
Highway Revenue Refunding Bonds, Series 2015	08/03/15	11/01/29	6,170,000	5,450,000
Highway Revenue Refunding Bond, Series 2017	05/25/17	11/01/27	5,951,000	<u>5,868,000</u>
TOTAL				<u>14,279,600</u>
GRAND TOTAL				\$194,425,319

⁽¹⁾ As of March 1, 2018; after taking the issuance of the Bonds into account.

⁽²⁾ General obligation bonds secured by the full faith, credit and taxing power of the City. The ad valorem tax available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limit. See "PROPERTY TAX INFORMATION--Property Tax Limitations." These bonds are additionally secured by specified pledged

* Preliminary, subject to change

revenues; if revenues are not sufficient, the City is obligated to pay the difference between such revenues and the debt service requirements of the respective bonds.

- ⁽³⁾ General obligation medium-term bonds are secured by the full faith and credit and payable from all legally available funds of the City. The ad valorem tax available to pay these bonds is limited to the statutory and constitutional limit described in note (2) above as well as the statutory limitation on the City's maximum operating levy tax rate.

Source: The City; compiled by the Financial Advisor.

Other Obligations. In addition to the obligations illustrated in the table above, the City has entered into capital lease agreements for the acquisition of office equipment. The City also records long-term liabilities for compensated absences, OPEB liability and other claims payable. See Note 3D in the audited financial statements attached hereto as Appendix A for further information.

In April 2013, the City entered into an Installment Purchase Agreement in the aggregate principal amount of \$1,169,500 for the purchase of a building in downtown Carson City. The City's obligations under the agreement are subject to annual appropriation and will be paid from legally available and appropriated funds. The agreement will extend through April 1, 2028, unless the City exercises its right not to appropriate funds in any year. As of March 1, 2018, \$864,300 remained outstanding under such Installment Purchase Agreement.

On December 14, 2016, the City entered into an Installment Purchase Agreement in the aggregate principal amount of \$3,101,538 for the acquisition and installation of certain energy efficiency equipment and improvements in numerous City buildings. The City's obligations under the agreement are subject to annual appropriation and will be paid from legally available and appropriated funds. The agreement will extend through December 1, 2036, unless the City exercises its right not to appropriate funds in any year. As of March 1, 2018, \$3,101,538 remained outstanding under such Installment Purchase Agreement.

On December 14, 2016, the City entered into an Installment Purchase Agreement in the aggregate principal amount of \$1,156,700 for the acquisition and installation of certain energy efficiency equipment and improvements in numerous City buildings. The City's obligations under the agreement are subject to annual appropriation and will be paid from legally available and appropriated funds. The agreement will extend through December 1, 2025, unless the City exercises its right not to appropriate funds in any year. As of March 1, 2018, \$1,128,700 remained outstanding under such Installment Purchase Agreement

Additional Contemplated Indebtedness

The City may issue general obligation bonds by means of authority granted to it by its electorate or the State Legislature or, under certain circumstances, without an election as provided in existing statutes. The City reserves the privilege of issuing general obligation bonds or other securities any time legal requirements are satisfied. In addition, the City reserves the ability to issue bonds for refunding purposes at any time.

Annual Debt Service Requirements

The following table is a summary of the debt service requirements for the City's outstanding general obligation bonds, after taking the issuance of the Bonds into account.

Annual Debt Service Requirements - General Obligation Bonds⁽¹⁾

Fiscal Year Ended June 30	General Obligation Revenue Bonds* ⁽²⁾⁽³⁾		General Obligation Medium-Term Bonds ⁽⁴⁾		Grand Total ⁽³⁾
	Principal	Interest	Principal	Interest	
2018 ⁽⁵⁾	\$ 10,116,256	\$ 5,859,691	\$981,000	\$128,450	\$17,085,397
2019	10,770,431	5,878,392	993,800	115,974	17,758,597
2020	10,862,258	5,537,429	865,000	95,268	17,347,956
2021	11,399,110	5,193,592	709,000	78,703	17,380,404
2022	11,579,334	4,814,470	724,000	63,294	17,181,098
2023	11,160,994	4,427,385	612,000	47,559	16,247,938
2024	11,138,155	4,058,911	625,000	34,204	15,856,269
2025	11,082,882	3,689,874	340,000	22,216	15,134,971
2026	10,721,244	3,306,280	348,000	14,974	14,390,498
2027	10,061,310	2,933,413	355,000	7,562	13,357,285
2028	8,509,154	2,615,808	0	0	11,124,961
2029	8,814,847	2,323,208	0	0	11,138,055
2030	8,991,574	2,055,955	0	0	11,047,529
2031	7,750,373	1,758,418	0	0	9,508,791
2032	7,125,393	1,493,257	0	0	8,618,651
2033	6,937,310	1,243,258	0	0	8,180,569
2034	5,521,313	990,262	0	0	6,511,575
2035	3,428,086	805,474	0	0	4,233,560
2036	2,696,150	669,208	0	0	3,365,358
2037	2,400,000	548,516	0	0	2,948,516
2038	2,530,000	425,400	0	0	2,955,400
2039	1,850,000	308,108	0	0	2,158,108
2040	1,960,000	197,435	0	0	2,157,435
2041	645,000	127,500	0	0	772,500
2042	675,000	101,100	0	0	776,100
2043	700,000	73,600	0	0	773,600
2044	730,000	45,000	0	0	775,000
2045	<u>760,000</u>	<u>15,200</u>	<u>0</u>	<u>0</u>	<u>775,200</u>
TOTAL	\$180,916,175	\$61,496,146	\$6,540,800	\$608,211	\$249,561,322

⁽¹⁾ As of March 1, 2018.

⁽²⁾ General obligation bonds secured by the full faith, credit and taxing power of the City. The ad valorem tax available to pay these bonds is limited to the \$3.64 statutory and the \$5.00 constitutional limit. See "PROPERTY TAX INFORMATION--Property Tax Limitations." These bonds are additionally secured by pledged revenues; if revenues are not sufficient, the City is obligated to pay the difference between such revenues and debt service requirements of the respective bonds. Takes the issuance of the 2018 Bonds into account. See "PROPERTY TAX INFORMATION--Property Tax Limitations."

⁽³⁾ Includes principal and interest on the Bonds at interest rates estimated by the financial advisor; subject to change upon final pricing of the Bonds. This table will be updated in the final Official Statement to include the actual debt service for the Bonds.

⁽⁴⁾ General obligation bonds secured by the full faith, credit and payable from all legally available funds of the City. The ad valorem tax available to pay these bonds is limited to the statutory and constitutional limit described in note (2) above as well as the statutory limitation on the City's maximum operating levy tax rate. See "PROPERTY TAX INFORMATION--Property Tax Limitations."

⁽⁵⁾ Through March 1, 2018, the City has paid \$6,874,256 of principal and \$4,078,588 of interest on the general obligation revenue bonds and has paid \$437,000 of principal and 67,618 of interest on the general obligation medium-term bonds.

*Preliminary; subject to change.

Source: The City; compiled by the Financial Advisor.

TAX MATTERS

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Tax Code and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that for taxable years of corporations beginning before January 1, 2018, such interest is required to be included in calculating the “adjusted current earnings” adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below.

The Tax Code imposes several requirements which must be met with respect to the Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the Bonds. These requirements include: (a) limitations as to the use of proceeds of the Bonds; (b) limitations on the extent to which proceeds of the Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the Bonds above the yield on the Bonds to be paid to the United States Treasury. The City will covenant and represent in the Bond Ordinance that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws in effect when the Bonds are delivered. Bond Counsel’s opinion as to the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the City to comply with these requirements could cause the interest on the Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the City and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation’s “adjusted current earnings” over the corporation’s alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation’s alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. “Adjusted current earnings” includes interest on the Bonds. The alternative minimum tax on corporations described in this paragraph has been repealed effective for taxable years beginning after December 31, 2017, but continues to apply for taxable years of corporations that begin before January 1, 2018. Corporations with taxable years that do not coincide with the calendar year should consult their tax advisors about inclusion of interest on the Bonds in alternative minimum

taxable income of the corporation as described in this paragraph during the corporation's taxable year that begins during calendar year 2017.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. With respect to any Bonds sold at a premium, representing a difference between the original offering price of those Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest on the Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the Bonds. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the Bonds, the exclusion of interest on the Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the Bonds. Owners of the Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, the market value of the Bonds may be adversely affected. Under current audit procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedures. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from

alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Financial Advisor, the Underwriters, Bond Counsel or Special Counsel is responsible for paying or reimbursing any Bond holder with respect to any audit or litigation costs relating to the Bonds.

State Tax Exemption

Under laws of the State in effect on the date of delivery of the Bonds, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

LEGAL MATTERS

Litigation

In the opinion of the District Attorney, there is no litigation or controversy of any nature now pending, or to the knowledge of the District Attorney threatened: (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds or (ii) in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Bonds. Further, the District Attorney is of the opinion that although the City is subject to certain pending or threatened litigation or administrative proceedings, these matters either are adequately covered by insurance or, to the extent not insured, the final settlement thereof is not expected to materially, adversely affect the financial position of the City.

Approval of Certain Legal Proceedings

The approving opinion of Sherman & Howard L.L.C., as Bond Counsel, will be delivered with the Bonds. The form of the Bond Counsel opinion is attached to this Official Statement as Appendix E. The opinion will include a statement that the obligations of the City are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the federal constitution, including bankruptcy. Sherman & Howard L.L.C., has also acted as Special Counsel to the City in connection with this Official Statement. Certain matters will be passed upon for the City by the District Attorney.

Police Power

The obligations of the City are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power and powers of taxation inherent in the sovereignty of the State, and to the exercise by the United States of the powers delegated to it by the federal constitution (including bankruptcy).

Sovereign Immunity

Pursuant to State statute (NRS Section 41.035), an award for damages in an action sounding in tort against the City may not include any amount as exemplary or punitive damages

and is limited to \$100,000 per cause of action. The limitation does not apply to federal actions brought under federal law such as civil rights actions under 42 U.S.C. Section 1983 and actions under The Americans with Disabilities Act of 1990 (P.L. 101-336), or to actions in other states.

RATINGS

Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P") have assigned the Bonds the respective ratings shown on the cover page of this Official Statement. Such ratings reflect only the views of such rating agencies, and there is no assurance that any rating, once received, will continue for any given period of time or that either rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Except for its responsibilities under the Disclosure Certificate, the City has not undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

INDEPENDENT AUDITORS

The audited basic financial statements of the City as of and for the year ended June 30, 2017, included hereto as Appendix A, have been audited by Eide Bailly LLP, certified public accountants, Reno, Nevada, to the extent and for the period stated in their report appearing herein.

Pursuant to State law, the audited financial statements of the City are public documents and no consent from the auditors is required to be obtained prior to inclusion of the audited financial statements in this Official Statement. Accordingly, the City has not requested consent.

FINANCIAL ADVISOR

JNA Consulting Group, LLC, is serving as financial advisor to the City in connection with the Bonds. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the City, with respect to the accuracy and completeness of disclosure of such information and no guaranty, warranty or other representation is made by JNA Consulting Group, LLC, respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

PUBLIC SALE

The City expects to offer the Bonds at public sale on Tuesday, March 13, 2018. See APPENDIX G--Official Notice of Bond Sale.

OFFICIAL STATEMENT CERTIFICATION

The undersigned official of the City hereby confirms that the execution and delivery of this Official Statement and its use in connection with the offering and sale of the Bonds have been duly authorized by the Board.

CARSON CITY, NEVADA

By: _____
Chief Financial Officer

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF THE CITY AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE: The audited basic financial statements of the City included in this Appendix A have been excerpted from the City's Comprehensive Annual Financial Report for the year ended June 30, 2017. The combining and individual fund financial statements, introductory section and statistical tables, and other supplementary information for the fiscal year ended June 30, 2017, were purposely excluded from this Appendix A. Such statements provide supporting details and are not necessary for a fair presentation of the general purpose financial statement of the City.



Independent Auditor's Report

To the Honorable Mayor and Members of the Board of Supervisors
Carson City, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Carson City, Nevada (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 audits. We did not audit the financial statements of the Airport Authority of Carson City, Nevada, or the Carson City Culture and Tourism Authority, which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Airport Authority of Carson City, Nevada and the Carson City Culture and Tourism Authority is based solely on the reports of the other auditors. We conducted our audits 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 21, the schedule of funding progress – other postemployment benefits on page 73, the schedule of the City's proportionate share of the net pension liability on page 74, and the schedule of City's contributions on page 75, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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's financial statements. The introductory section, combining and individual fund financial statements and schedules including budgetary comparisons, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CAFR) 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 combining and individual fund financial statements and schedules including budgetary comparisons and the schedule of expenditures of federal awards 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 combining and individual fund statements and schedules including budgetary comparisons and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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

The combining and individual fund financial statements and schedules related to the 2016 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 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 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 statements and schedules referred to above 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 a report dated November 30, 2017, on our consideration of the City'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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

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

Reno, Nevada
November 30, 2017

Carson City, Nevada Management's Discussion and Analysis

As management of Carson City, Nevada (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$314,225,049 (*net position*).
- The City's total net position increased by \$11,237,126 (3.7%). This increase is attributable to a year over year consolidated tax increase of 10.4% while initial budget only included a 4.0% increase.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,266,875, a decrease of \$629,391 in comparison to the prior year. Approximately 29.0% of this amount (\$6,447,478) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$8,179,956, or 12.5% of total General Fund expenditures.
- The City's total bonded debt and notes payable increased by \$18,680,868 (11.0%) during the current fiscal year as a result of \$25,380,900 of Sewer, Water and Stormwater State Revolving Fund debt issuance, as well as \$3,425,293 of Energy Efficiency Installment Purchase Agreements issued, reduced by current year principal payments on debt.
- The City's total capital assets increased by \$23,334,552 (4.2%) during the fiscal year as a result of the construction of the water resource recovery facility, the completion of the downtown streetscape project, and the new animal shelter.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows / outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, judicial, public works, sanitation, health, welfare, community support, airport, economic opportunity, and culture and recreation. The business-type activities of the City include water, sewer, ambulance, cemetery, building permits and stormwater drainage.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate airport authority and a legally separate culture and tourism authority for which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Redevelopment Authority, although also legally separate, functions for all practical purposes as a department of the City, therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 22-25 of this report.

Carson City, Nevada Management's Discussion and Analysis

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other twenty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining and individual fund statements and schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and for each of its special revenue funds, debt service funds and capital projects funds. A budgetary comparison schedule has been provided for each of the City's governmental funds to demonstrate compliance with this budget. The budgetary comparison statement for the General Fund the major governmental fund is located in the basic financial statements and budgetary comparison schedules for the nonmajor governmental funds are provided in the individual funds statements.

The basic governmental fund financial statements can be found on pages 26-30 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, ambulance, cemetery, building permit, and stormwater drainage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its group medical insurance, workers' compensation, insurance and fleet management. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, each of which are considered to be major funds of the City. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Data from the other four enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of *combining and individual fund statements and schedules* elsewhere in this report. Individual fund data for the internal service funds is provided in the form of *combining and individual fund statements and schedules* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 31-35 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Carson City, Nevada
Management's Discussion and Analysis

The basic fiduciary fund financial statements can be found on pages 36-37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a gaining full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38-72 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's progress in funding its obligation to provide OPEB benefits to its employees, schedule of City's proportionate share of the net pension liability, and the Schedule of City's retirement contributions. Required supplementary information can be found on page 73-75 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and enterprise funds are presented following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 76-166 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$314,225,049 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (126.0%) reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Carson City's Net Position

	Governmental		Business-type		Total - Primary Government	
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 35,837,763	\$ 40,377,560	\$ 23,301,945	\$ 15,310,416	\$ 59,139,708	\$ 55,687,976
Capital assets	373,399,113	366,329,346	203,567,677	187,302,922	576,966,790	553,632,268
Total assets	409,236,876	406,706,906	226,869,622	202,613,338	636,106,498	609,320,244
Deferred outflows of resources	21,559,535	13,647,688	2,938,867	2,049,524	24,498,402	15,697,212
Total assets and deferred outflows of resources	430,796,411	420,354,594	229,808,489	204,662,862	660,604,900	625,017,456
Long-term liabilities outstanding	195,146,009	190,600,752	117,170,531	101,397,266	312,316,540	291,998,018
Other liabilities	15,004,728	11,970,340	10,879,547	7,257,065	25,884,275	19,227,405
Total liabilities	210,150,737	202,571,092	128,050,078	108,654,331	338,200,815	311,225,423
Deferred inflows of resources	7,191,779	9,519,869	987,257	1,284,241	8,179,036	10,804,110
Total liabilities and deferred inflows of resources	217,342,516	212,090,961	129,037,335	109,938,572	346,379,851	322,029,533
Net position:						
Net investment in capital assets	302,089,834	299,558,400	93,571,145	94,521,657	395,660,979	394,080,057
Restricted	10,081,646	13,049,482	-	-	10,081,646	13,049,482
Unrestricted	(98,717,585)	(104,344,249)	7,200,009	202,633	(91,517,576)	(104,141,616)
Total net position	\$213,453,895	\$208,263,633	\$100,771,154	\$94,724,290	\$314,225,049	\$302,987,923

Carson City, Nevada
Management's Discussion and Analysis

An additional portion of the City's net position (3.2%) represents resources that are subject to external restrictions on how they may be used. This leaves a negative balance of \$91,517,576 for *unrestricted net position*.

At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position for the government as a whole, as well as, for its separate governmental activities. Unrestricted net position is reported as a negative balance. The business-type activities reported positive balances in all categories of net position. In the prior fiscal year, the City reported positive balances in all categories with the exception of unrestricted net position.

The City's net position increased \$11,237,126 during the current fiscal year. The increase is attributable to increases in sales, property and consolidated taxes, as well as charges for services in Building Permits, Sewer and Water Funds.

Carson City's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total – Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$13,326,513	\$12,395,216	\$34,370,565	\$31,360,939	\$47,697,078	\$43,756,155
Operating grants and contributions	6,263,119	6,910,090	500	-	6,263,619	6,910,090
Capital grants and contributions	3,936,604	1,767,300	833,172	782,391	4,769,776	2,549,691
General revenues:						
Property taxes	27,522,923	27,166,226	-	-	27,522,923	27,166,226
Other taxes	45,556,767	42,493,326	-	-	45,556,767	42,493,326
Other	353,939	602,647	60,748	187,344	414,687	789,991
Total Revenues	96,959,865	91,334,805	35,264,985	32,330,674	132,224,850	123,665,479
Expenses:						
General government	14,887,443	14,820,254	-	-	14,887,443	14,820,254
Public safety	34,946,511	34,442,723	-	-	34,946,511	34,442,723
Judicial	7,017,989	6,241,597	-	-	7,017,989	6,241,597
Public works	9,904,418	9,052,258	-	-	9,904,418	9,052,258
Sanitation	2,060,980	1,838,049	-	-	2,060,980	1,838,049
Health	5,998,209	6,344,506	-	-	5,998,209	6,344,506
Welfare	2,164,908	2,038,500	-	-	2,164,908	2,038,500
Culture and recreation	9,595,541	9,530,025	-	-	9,595,541	9,530,025
Community support	1,058,025	597,679	-	-	1,058,025	597,679
Airport	548,672	465,157	-	-	548,672	465,157
Economic opportunity	90,492	119,127	-	-	90,492	119,127
Interest and fiscal charges	3,089,777	3,167,238	-	-	3,089,777	3,167,238
Sewer	-	-	10,249,949	9,596,628	10,249,949	9,596,628
Water	-	-	13,464,964	13,710,079	13,464,964	13,710,079
Stormwater Drainage	-	-	1,033,393	1,159,632	1,033,393	1,159,632
Ambulance	-	-	3,544,833	3,505,024	3,544,833	3,505,024
Cemetery	-	-	227,792	233,663	227,792	233,663
Building Permits	-	-	1,103,828	1,148,900	1,103,828	1,148,900
Total Expenses	91,362,965	88,657,113	29,624,759	29,353,926	120,987,724	118,011,039

**Carson City, Nevada
Management's Discussion and Analysis**

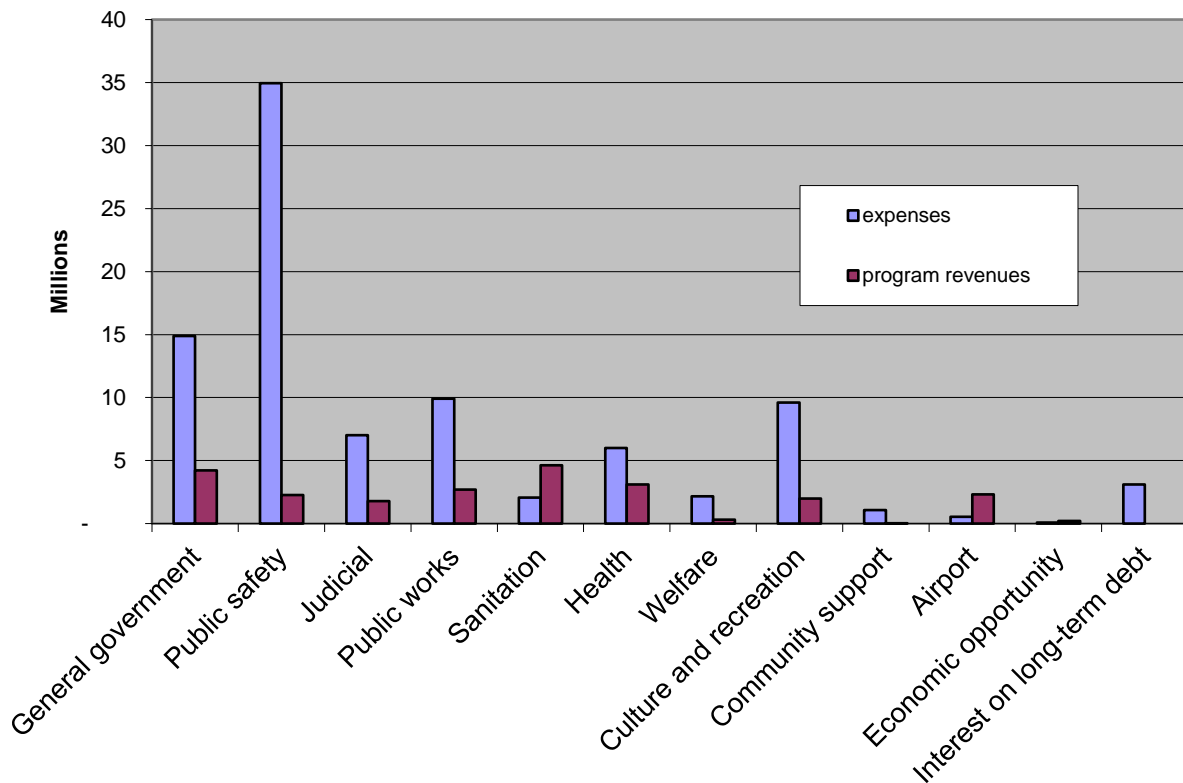
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Increase (decrease) in net position before transfers	\$5,596,900	\$2,677,692	\$5,640,226	\$2,976,748	\$11,237,126	\$5,654,440
Transfers	(406,638)	(311,622)	406,638	311,622	-	-
Increase (decrease) in Net Position	5,190,262	2,366,070	6,046,864	3,288,370	11,237,126	5,654,440
Net position – July 1	208,263,633	205,897,563	94,724,290	91,435,920	302,987,923	297,333,483
Net position - June 30	\$213,453,895	\$208,263,633	\$100,771,154	\$94,724,290	\$314,225,049	\$302,987,923

Governmental activities. Governmental activities increased the City's net position by \$5,190,262. This results in a net change (increase) of \$2,824,192 when compared to the increase of \$2,366,070 in the prior year. Key elements of the change from prior year are as follows:

- \$3.2 million increase in sales and consolidated taxes.
- \$827,000 increase in landfill fees.
- \$2.1 million increase in Federal Grants for the Airport.
- \$3.2 million increase in OPEB Obligation expense due to changes in actuarial assumptions.

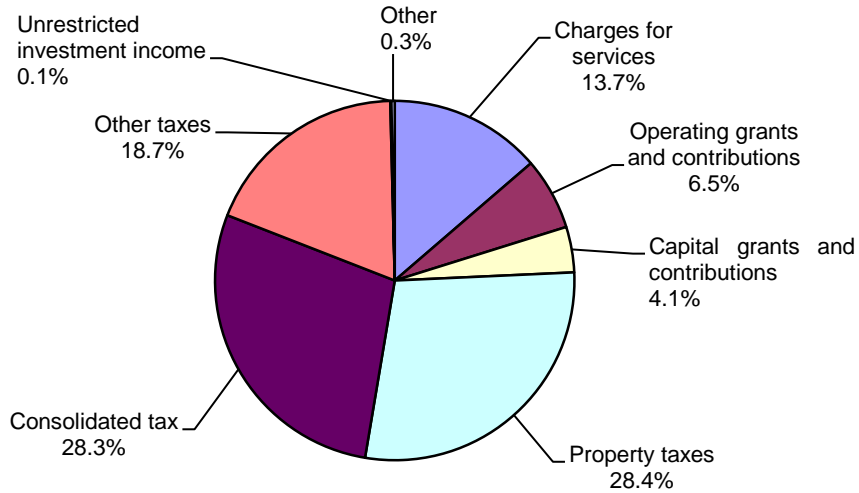
Program revenues for governmental activities provided 25.8% of the resources necessary to pay the cost of providing program services. The remaining program costs were financed with general revenues. The largest general revenues are property taxes of \$27,522,923 and consolidated taxes of \$27,426,295.

Expenses and Program Revenues - Governmental Activities



**Carson City, Nevada
Management's Discussion and Analysis**

Revenues by Source - Governmental Activities

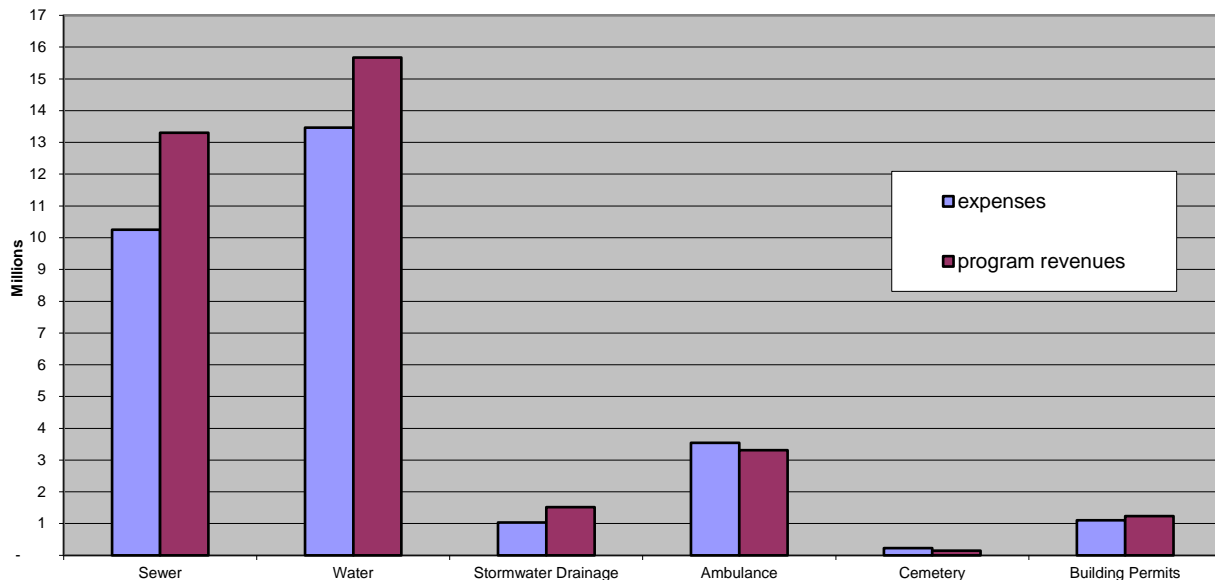


Business-type activities. Business-type activities increased the City's net position by \$6,046,864. This results in a net change (increase) of \$2,758,494 when compared to the increase of \$3,288,370 in the prior year. Key elements of the change from prior year are as follows:

- \$1.6 million (13.7%) increase in sewer revenue is due to a rate increase implemented July 1, 2013 by the Board of Supervisors for upcoming capital purchases and reinvestment.
- \$653,000 increase in sewer expenses which includes contract adjustments and merit increases for employees, and interest due on debt issues.
- \$1.2 million (8.7%) increase in water charges for services expected given rate increases, implemented July 1, 2013 by the Board of Supervisors for upcoming capital purchases and reinvestment.
- \$245,000 decrease in the Water Expenses as they purchased fewer water meters during the year.

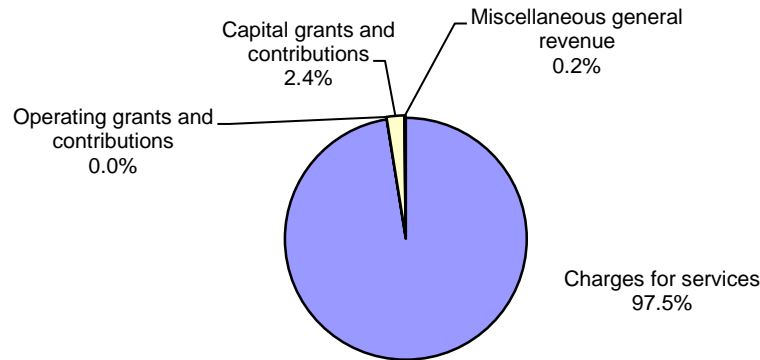
Sewer and water expenses represent 80.1% of total expenses for business-type activities.

Expenses and Program Revenues - Business - type Activities



Carson City, Nevada
Management's Discussion and Analysis

Revenues by Source - Business - type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Board of Supervisors.

At June 30, 2017, the City's governmental funds reported combined ending fund balances of \$22,266,875, a decrease of \$629,391 in comparison with the prior year. Approximately 29.0% of this amount (\$6,447,478) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is: 1) not in spendable form (\$455,137), 2) restricted for particular purposes (\$11,035,145), 3) committed for particular purposes (\$10,044), or 4) assigned for particular purposes (\$4,319,071).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,447,478, while total fund balance increased to \$1,215,874. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 9.8% of total general fund expenditures, while total fund balance represents 14.4% of that same amount.

The fund balance of the City's general fund increased by \$1,215,874 during the current fiscal year. This results in a net change (decrease) of \$663,044 when compared to the increase of \$552,830 in the prior year. Key elements of the change from prior year are as follows:

- Consolidated tax revenues increased by \$2,579,409 from the prior year. This is revenue passed through from the State, which is the result of an increase in taxable sales as our economy recovers.
- Property tax revenues increased by \$294,001 from the prior year. This is a result of the increase in assessed values.
- Increase in landfill fees of \$808,944.
- General fund expenditures increased by approximately \$1.3 million (or 2.0%). This increase was mostly due to an increase in salaries and benefits during the current fiscal year as a result of the contract adjustments and merit increases.
- Increases in transfers out of \$878,700 to Capital Projects Fund for deferred capital needs, \$250,000 to the Insurance Fund related to the 2017 Flood, and \$358,277 to the Grant Fund as we moved the Clinical Services and Vaccine program reserves to this fund for tracking purposes.

Carson City, Nevada Management's Discussion and Analysis

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

Unrestricted net position at the end of the year amounted to \$9,703,193 in the Sewer Fund and \$1,759,493 in the Water Fund. The Sewer Funds total net position increased by \$3,168,355 and the Water Funds net position increased by \$2,260,257. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights:

Budgeted appropriations increased \$4,046,750 between the original budget and the final amended budget. The increase can be briefly summarized as follows:

- Carryover of program costs and savings from the prior year budget amounting to \$2,747,134 allocated to various departments.
- \$1,549,616 increase in various department appropriations offset by increases in charges for services, intergovernmental revenues, and other miscellaneous revenues.

Of this increase, \$847,703 was funded from Landfill revenue charges for services, \$341,555 was funded from intergovernmental revenues, \$110,358 was funded from refunds, reimbursements, grants and donations, and \$2,747,134 was to be budgeted from available fund balance.

The significant differences between the final amended budget and actual amounts are as follows:

- Actual intergovernmental revenues were \$810,006 more than the final budget due to an increase in consolidated tax revenue. This increase is offset by a decrease of \$480,000 which was budgeted as an intergovernmental revenue but for financial reporting purposes was reclassified as a transfer in from the Redevelopment Revolving Fund.
- Actual expenditures by function were less than the final budget as a result of expenditure reductions, employee vacancies and unspent restricted funds that will be carried over to the next fiscal year's budget.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$576,966,790 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, water capacity and water rights. The total increase in the City's investment in capital assets for the current fiscal year was 4.2% (a 1.9% increase for governmental activities and an 8.7% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- East-West Water Transmission Main Phase II and Water Resource Recovery Facility projects continued during fiscal year 17 resulting in an increase in construction in progress in the Sewer and Water Funds of approximately \$18.8 million.
- Downtown Streetscape project and several smaller street and sidewalk projects were completed in fiscal year 17, resulting in a reclassification from construction in progress to infrastructure of \$3.5 million and \$1.6 million, respectively.
- Animal Control Facility was completed in fiscal year 17 and reclassified from construction in progress to Buildings in the amount of \$3,232,655.
- Fiscal year 17 the City started work on the Energy Efficiency Project resulting in an increase to construction in progress of \$3.5 million

Carson City, Nevada
Management's Discussion and Analysis

Carson City's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$136,918,665	\$136,831,268	\$ 5,401,968	\$ 5,397,807	\$142,320,633	\$142,229,075
CIP - Infrastructure	264,514	5,331,527	-	-	264,514	5,331,527
Construction in progress	3,741,698	4,394,566	41,980,282	23,178,003	45,721,980	27,572,569
Buildings	62,414,757	60,612,033	14,293,308	14,712,965	76,708,065	75,324,998
Improvements other than						
Buildings	28,739,104	27,521,519	114,810,292	116,918,170	143,549,396	144,439,689
Machinery and equipment	9,432,206	8,892,729	2,930,451	2,944,601	12,362,657	11,837,330
Infrastructure	131,888,169	122,745,704	-	-	131,888,169	122,745,704
Water capacity	-	-	4,169,896	4,169,896	4,169,896	4,169,896
Water rights	-	-	19,981,480	19,981,480	19,981,480	19,981,480
Total	373,399,113	\$366,329,346	\$203,567,677	\$187,302,922	\$576,966,790	\$553,632,268

Additional information on the City's capital assets can be found in Note 3-B on pages 49-53 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$180,851,630. Of this amount, \$165,467,430 comprises debt backed by the full faith and credit of the government. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Carson City's Outstanding Debt
General Obligation, Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation						
Bonds	\$59,670,000	\$63,375,000	\$105,797,430	\$85,399,055	\$165,467,430	\$148,774,005
Revenue bonds	15,384,200	15,970,500	-	-	15,384,200	15,970,500
Notes Payable	6,240,093	3,361,300	785,800	1,090,800	7,025,893	4,452,100
Total	\$81,294,293	\$82,706,800	106,583,230	\$86,489,855	\$187,877,523	\$169,196,655

The City's total bonded debt and notes payable increased by \$18,680,868 (11.0%) from the prior year primarily due to the General Obligation Revenue Bonds - State of Nevada Revolving Loan authorized \$35.8 million in the prior year and \$25.4 million was drawn down during the current year. Notes payable increased by \$2,573,793 (57.8%) due to two installment purchase agreements entered into for the Energy Efficiency project during fiscal year 2017 for a total authorized amount of \$4.3 million and \$3.4 million was drawn on those notes as of June 30, 2017. Revenue Bonds decreased by \$586,300 (3.7%) due to current year principal payments.

The City maintained an "AA-" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15.0% of its total assessed valuation. The current debt limitation for the City is \$226,790,989, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3-D on pages 54-61 of this report.

Carson City, Nevada Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

- The City's unemployment rate was 4.6% at June 30, 2017, which is a decrease from a rate of 6.9% a year ago. The national and state unemployment rates were 4.4% and 4.9%, respectively, at June 30, 2017.
- The City's assessed value increased 5.2% in fiscal year 2016-17 to \$1.445 billion and increased 3.9% in fiscal year 2017-18 to \$1.502 billion.
- Consolidated tax revenue was projected to increase 4.0% for fiscal year 2017-18. July 2017 shows a 8.5% increase and August 2017 shows a 12.9% increase compared to the same months during fiscal year 2016-17.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

During the current fiscal year, unrestricted fund balance in the General Fund increased from \$7,318,481 to \$8,179,956. The City has assigned \$1,355,278 of this amount for eliminating a 2018 fiscal year budget deficiency.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Carson City Finance Department, 201 N. Carson Street, Suite 3, Carson City, Nevada 89701.

BASIC FINANCIAL STATEMENTS

CARSON CITY, NEVADA
STATEMENT OF NET POSITION
JUNE 30, 2017

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS			
Cash and investments	\$ 20,777,720	\$ 18,891,116	\$ 39,668,836
Receivables (net of allowances for uncollectibles)	3,083,456	4,191,369	7,274,825
Due from other governments	9,968,166	523,412	10,491,578
Due from primary government	-	-	-
Internal balances	700,486	(700,486)	-
Inventories	224,736	361,792	586,528
Prepays	502,992	34,742	537,734
Restricted assets:			
Cash and investments	490,207	-	490,207
Other assets	90,000	-	90,000
Capital assets (net of accumulated depreciation):			
Land	136,918,665	5,401,968	142,320,633
Construction in progress - infrastructure	264,514	-	264,514
Construction in progress	3,741,698	41,980,282	45,721,980
Buildings	62,414,757	14,293,308	76,708,065
Improvements other than buildings	28,739,104	114,810,292	143,549,396
Machinery and equipment	9,432,206	2,930,451	12,362,657
Infrastructure	131,888,169	-	131,888,169
Water capacity	-	4,169,896	4,169,896
Water rights	-	19,981,480	19,981,480
Total Assets	<u>409,236,876</u>	<u>226,869,622</u>	<u>636,106,498</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred retirement contributions	10,048,314	1,254,808	11,303,122
Deferred actuarial adjustment to 2016 contributions	547,834	66,444	614,278
Deferred earnings on retirement investment	7,821,519	975,576	8,797,095
Deferred loss on refundings	3,141,868	642,039	3,783,907
Total Deferred Outflows of Resources	<u>21,559,535</u>	<u>2,938,867</u>	<u>24,498,402</u>
Total Assets and Deferred Outflows of Resources	<u>430,796,411</u>	<u>229,808,489</u>	<u>660,604,900</u>
LIABILITIES			
Accounts payable and accrued expenses	5,765,567	2,607,346	8,372,913
Accrued interest payable	545,657	1,060,813	1,606,470
Due to other governments	447,648	340,107	787,755
Due to component units	246,131	-	246,131
Unearned revenue	99,423	263,533	362,956
Other liabilities	114,454	7,200	121,654
Current liabilities payable from restricted assets	490,207	-	490,207
Noncurrent liabilities:			
Due within one year	7,295,641	6,600,548	13,896,189
Due in more than one year	88,578,280	103,202,109	191,780,389
Net OPEB obligation	22,601,778	3,388,786	25,990,564
Net retirement obligations	83,965,951	10,579,636	94,545,587
Total Liabilities	<u>210,150,737</u>	<u>128,050,078</u>	<u>338,200,815</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred change in retirement experience	5,638,455	702,725	6,341,180
Deferred change in retirement contributions	1,553,324	194,143	1,747,467
Deferred gain on refundings	-	90,389	90,389
Total Deferred Inflows of Resources	<u>7,191,779</u>	<u>987,257</u>	<u>8,179,036</u>
Total Liabilities and Deferred Inflows of Resources	<u>217,342,516</u>	<u>129,037,335</u>	<u>346,379,851</u>
NET POSITION			
Net investment in capital assets	302,089,834	93,571,145	395,660,979
Restricted for:			
General government	835,633	-	835,633
Public safety	354,718	-	354,718
Judicial	443,386	-	443,386
Health	623,138	-	623,138
Welfare	21,536	-	21,536
Culture and recreation	1,812,308	-	1,812,308
Debt service	-	-	-
Economic opportunity	4,469	-	4,469
Infrastructure projects	2,891,574	-	2,891,574
Redevelopment	778,512	-	778,512
Claims	2,316,372	-	2,316,372
Unrestricted	(98,717,585)	7,200,009	(91,517,576)
Total Net Position	<u>\$ 213,453,895</u>	<u>\$ 100,771,154</u>	<u>\$ 314,225,049</u>

See accompanying notes.

COMPONENT UNITS			
AIRPORT AUTHORITY		CULTURE AND TOURISM AUTHORITY	
\$	697,829	\$	1,368,333
	35,634		244,629
	191,242		25,000
	246,131		-
	-		-
	-		-
	4,567		2,024
	-		-
	170,213		-
	146,542		-
	-		-
	-		-
	-		5,841
	69,771		68,164
	-		-
	-		-
	-		-
	<u>1,561,929</u>		<u>1,713,991</u>
	14,690		104,988
	-		3,445
	21,532		50,569
	-		-
	<u>36,222</u>		<u>159,002</u>
	<u>1,598,151</u>		<u>1,872,993</u>
	280,347		103,246
	-		-
	-		23,137
	-		-
	-		-
	14,856		-
	-		-
	24,627		-
	498,903		65,692
	-		289,842
	231,620		537,706
	<u>1,050,353</u>		<u>1,019,623</u>
	15,510		36,426
	46,878		10,063
	-		-
	<u>62,388</u>		<u>46,489</u>
	<u>1,112,741</u>		<u>1,066,112</u>
	216,313		74,005
	-		-
	-		-
	-		-
	-		-
	-		-
	-		698,291
	-		-
	-		-
	-		-
	269,097		34,585
\$	<u>485,410</u>	\$	<u>806,881</u>

See accompanying notes.

**CARSON CITY, NEVADA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary government:				
Governmental Activities:				
General government	\$ 14,887,443	\$ 3,203,733	\$ 1,024,317	\$ -
Public safety	34,946,511	1,403,924	693,507	170,486
Judicial	7,017,989	1,732,900	48,945	-
Public works	9,904,418	271,693	1,221,193	1,214,364
Sanitation	2,060,980	4,614,674	-	-
Health	5,998,209	665,181	2,438,005	-
Welfare	2,164,908	-	317,352	-
Culture and recreation	9,595,541	1,433,832	310,100	230,901
Community support	1,058,025	576	-	12,600
Airport	548,672	-	-	2,308,253
Economic opportunity	90,492	-	209,700	-
Debt Service:				
Interest and fiscal charges	3,089,777	-	-	-
Total Governmental Activities	<u>91,362,965</u>	<u>13,326,513</u>	<u>6,263,119</u>	<u>3,936,604</u>
Business-Type Activities:				
Sewer	10,249,949	13,021,147	-	286,134
Water	13,464,964	15,278,926	-	389,824
Stormwater Drainage	1,033,393	1,362,516	-	157,214
Ambulance	3,544,833	3,315,712	-	-
Cemetery	227,792	152,015	500	-
Building Permits	1,103,828	1,240,249	-	-
Total Business-Type Activities	<u>29,624,759</u>	<u>34,370,565</u>	<u>500</u>	<u>833,172</u>
Total Primary Government	<u>\$ 120,987,724</u>	<u>\$ 47,697,078</u>	<u>\$ 6,263,619</u>	<u>\$ 4,769,776</u>
Component units:				
Airport Authority	\$ 2,962,972	\$ 434,089	\$ 2,386,190	\$ -
Culture and Tourism Authority	2,024,036	12,877	31,694	-
Total Component Units	<u>\$ 4,987,008</u>	<u>\$ 446,966</u>	<u>\$ 2,417,884</u>	<u>\$ -</u>
General Revenues:				
Property taxes				
Sales taxes				
Unrestricted intergovernmental revenues - Consolidated tax				
Franchise taxes				
Other taxes				
Room taxes				
Motor vehicle fuel tax				
Unrestricted investment income				
Miscellaneous revenue				
Gain on sale of capital assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
NET POSITION, JULY 1				
NET POSITION, JUNE 30				

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	AIRPORT AUTHORITY	CULTURE AND TOURISM AUTHORITY
\$ (10,659,393)	\$ -	\$ (10,659,393)	\$ -	\$ -
(32,678,594)	-	(32,678,594)	-	-
(5,236,144)	-	(5,236,144)	-	-
(7,197,168)	-	(7,197,168)	-	-
2,553,694	-	2,553,694	-	-
(2,895,023)	-	(2,895,023)	-	-
(1,847,556)	-	(1,847,556)	-	-
(7,620,708)	-	(7,620,708)	-	-
(1,044,849)	-	(1,044,849)	-	-
1,759,581	-	1,759,581	-	-
119,208	-	119,208	-	-
<u>(3,089,777)</u>	<u>-</u>	<u>(3,089,777)</u>	<u>-</u>	<u>-</u>
<u>(67,836,729)</u>	<u>-</u>	<u>(67,836,729)</u>	<u>-</u>	<u>-</u>
-	3,057,332	3,057,332	-	-
-	2,203,786	2,203,786	-	-
-	486,337	486,337	-	-
-	(229,121)	(229,121)	-	-
-	(75,277)	(75,277)	-	-
-	136,421	136,421	-	-
<u>-</u>	<u>5,579,478</u>	<u>5,579,478</u>	<u>-</u>	<u>-</u>
<u>(67,836,729)</u>	<u>5,579,478</u>	<u>(62,257,251)</u>	<u>-</u>	<u>-</u>
-	-	-	(142,693)	-
-	-	-	-	(1,979,465)
-	-	-	(142,693)	(1,979,465)
27,522,923	-	27,522,923	209,001	-
7,721,472	-	7,721,472	-	-
27,426,295	-	27,426,295	-	-
4,970,904	-	4,970,904	-	-
281,063	-	281,063	-	-
-	-	-	-	1,934,371
5,157,033	-	5,157,033	-	-
81,370	54,321	135,691	803	14,967
272,569	-	272,569	-	-
-	6,427	6,427	-	-
<u>(406,638)</u>	<u>406,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>73,026,991</u>	<u>467,386</u>	<u>73,494,377</u>	<u>209,804</u>	<u>1,949,338</u>
5,190,262	6,046,864	11,237,126	67,111	(30,127)
<u>208,263,633</u>	<u>94,724,290</u>	<u>302,987,923</u>	<u>418,299</u>	<u>837,008</u>
<u>\$ 213,453,895</u>	<u>\$ 100,771,154</u>	<u>\$ 314,225,049</u>	<u>\$ 485,410</u>	<u>\$ 806,881</u>

See accompanying notes.

**CARSON CITY, NEVADA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and investments	\$ 6,192,551	\$ 9,750,736	\$ 15,943,287
Receivables (net of allowances for uncollectibles):			
Taxes, delinquent	296,701	37,984	334,685
Accounts receivable	1,708,994	730,921	2,439,915
Interest	95,865	-	95,865
Due from other funds	42,951	7,320	50,271
Due from other governments	5,106,574	4,367,420	9,473,994
Inventories	2,753	-	2,753
Prepaid items	412,410	39,975	452,385
Restricted assets:			
Cash and investments	447,234	42,973	490,207
Total Assets	<u>\$ 14,306,033</u>	<u>\$ 14,977,329</u>	<u>\$ 29,283,362</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,046,482	\$ 1,402,161	\$ 2,448,643
Accrued salaries and benefits	2,654,766	208,863	2,863,629
Due to other funds	-	50,271	50,271
Due to other governments	200,244	241,279	441,523
Due to component units	215,171	30,960	246,131
Other liabilities	114,454	-	114,454
Unearned revenue	-	99,423	99,423
Payable from restricted assets	447,234	42,973	490,207
Total Liabilities	<u>4,678,351</u>	<u>2,075,930</u>	<u>6,754,281</u>
Deferred inflows of resources:			
Unavailable revenue - delinquent landfill fees	261	-	261
Unavailable revenue - delinquent property taxes	230,405	31,540	261,945
Total Deferred Inflows of Resources	<u>230,666</u>	<u>31,540</u>	<u>262,206</u>
Fund balances:			
Nonspendable	415,162	39,975	455,137
Restricted	801,898	10,233,247	11,035,145
Committed	-	10,044	10,044
Assigned	1,732,478	2,586,593	4,319,071
Unassigned	6,447,478	-	6,447,478
Total Fund Balances	<u>9,397,016</u>	<u>12,869,859</u>	<u>22,266,875</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 14,306,033</u>	<u>\$ 14,977,329</u>	<u>\$ 29,283,362</u>

CARSON CITY, NEVADA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2017

Fund Balances - Governmental Funds (page 26)		\$ 22,266,875
<p>Amounts reported for governmental activities in the statement of net position (pages 22-23) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 482,043,267	
Less: Accumulated depreciation	<u>(111,089,142)</u>	
		370,954,125
<p>Long-term liabilities, deferred outflows of resources and deferred inflows of resources, including bonds payable, are not due and payable in the current period, and therefore are not reported in the governmental funds.</p>		
General obligation revenue bonds payable	(59,670,000)	
Notes payable	(6,240,093)	
Revenue bonds payable	(15,384,200)	
Issuance premium	(3,844,087)	
Less: current year amortization	304,624	
Capital leases payable	(65,204)	
Landfill closure / post closure costs	(3,781,203)	
Net OPEB obligation	(22,233,657)	
Net retirement obligation	(82,039,378)	
Deferred outflows of resources:		
Deferred retirement contributions	9,833,139	
Deferred actuarial adjustment to 2016 contributions	536,412	
Deferred loss on refundings	3,141,868	
Deferred earnings on retirement investments	7,653,800	
Deferred inflows of resources:		
Deferred difference between expected and actual retirement experience	(5,517,645)	
Deferred change in retirement contributions	(1,519,947)	
Compensated absences	<u>(5,455,191)</u>	
		(184,280,762)
Interest payable		(545,657)
<p>Deferred inflows of resources represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds.</p>		
		262,206
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. Net position of the internal service funds are reported with governmental activities.</p>		
		4,096,622
<p>Internal balances are receivable from business-type activities.</p>		
		<u>700,486</u>
Net Position - Governmental Activities (pages 22-23)		<u>\$ 213,453,895</u>

See accompanying notes.

CARSON CITY, NEVADA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:			
Taxes	\$ 22,608,987	\$ 16,335,804	\$ 38,944,791
Licenses and permits	6,562,319	209,789	6,772,108
Intergovernmental revenues	28,286,192	10,203,140	38,489,332
Charges for services	12,714,864	475,446	13,190,310
Fines and forfeits	764,906	26,034	790,940
Miscellaneous	1,378,005	692,230	2,070,235
Total Revenues	<u>72,315,273</u>	<u>27,942,443</u>	<u>100,257,716</u>
Expenditures:			
Current:			
General government	15,081,020	358,474	15,439,494
Public safety	30,626,879	1,198,619	31,825,498
Judicial	6,423,660	158,945	6,582,605
Public works	2,158,460	7,015,258	9,173,718
Sanitation	1,840,005	-	1,840,005
Health	2,655,322	2,511,348	5,166,670
Welfare	356,595	1,768,947	2,125,542
Culture and recreation	5,721,113	1,789,396	7,510,509
Community support	331,134	402,594	733,728
Airport	-	74,903	74,903
Economic opportunity	-	90,492	90,492
Capital outlay	271,901	14,589,207	14,861,108
Debt service:			
Principal retirement	-	5,239,300	5,239,300
Interest and fiscal charges	-	3,178,466	3,178,466
Total Expenditures	<u>65,466,089</u>	<u>38,375,949</u>	<u>103,842,038</u>
Excess (Deficiency) of Revenues over Expenditures	<u>6,849,184</u>	<u>(10,433,506)</u>	<u>(3,584,322)</u>
Other Financing Sources (Uses):			
Capital leases	54,845	30,000	84,845
Refunding debt issued	-	5,951,000	5,951,000
Debt Issued	-	3,425,293	3,425,293
Payment to refunded bond escrow agent	-	(5,859,759)	(5,859,759)
Sale of capital assets	-	43,552	43,552
Transfers in	582,321	11,620,788	12,203,109
Transfers out	(6,270,476)	(6,622,633)	(12,893,109)
Total Other Financing Sources (Uses)	<u>(5,633,310)</u>	<u>8,588,241</u>	<u>2,954,931</u>
Net Change in Fund Balances	1,215,874	(1,845,265)	(629,391)
Fund Balances, July 1	<u>8,181,142</u>	<u>14,715,124</u>	<u>22,896,266</u>
Fund Balances, June 30	<u>\$ 9,397,016</u>	<u>\$ 12,869,859</u>	<u>\$ 22,266,875</u>

See accompanying notes.

CARSON CITY, NEVADA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Governmental Funds (page 28)	\$	(629,391)
<p>Amounts reported for governmental activities in the statement of activities (pages 24-25) are different because:</p>		
<p>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 assets are sold.</p>		
Expenditures for capital assets	\$	14,861,108
Contributions of capital assets from business-type activities		23,469
Donated capital assets		216,825
Sale/disposition of assets		(487,047)
Less: Current year depreciation		(7,391,311)
		7,223,044
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Change in unavailable revenue		(22,977)
<p>Bond and note proceeds and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bonds and note principal and capital leases is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which bonds and notes issued and capital lease financing exceeded repayments and costs of issuance.</p>		
Bonds issued		(9,376,293)
Capital lease		(84,845)
Accrued interest		(545,657)
Capital lease payments		29,822
Interest payments		589,305
Principal payments		5,239,300
Payment to escrow agent for refunding		5,859,759
		1,711,391
<p>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.</p>		
Amortization of loss on bond refunding		(259,583)
Amortization of bond premiums		304,624
Change in long-term landfill closure / post closure		(149,413)
Change in net OPEB asset		(1,390)
Change in net OPEB obligation		(3,159,476)
Change in net retirement obligation		(10,677,668)
Change in deferred outflows of resources		7,683,118
Change in deferred inflows of resources		2,287,869
Change in long-term compensated absences		445,318
		(3,526,601)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income of the internal service funds is reported with governmental activities.</p>		
		434,796
Change in Net Assets of Governmental Activities (pages 24-25)	\$	5,190,262

See accompanying notes.

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**CARSON CITY, NEVADA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
Revenues:				
Taxes	\$ 22,582,474	\$ 22,582,474	\$ 22,608,987	\$ 26,513
Licenses and permits	6,936,867	6,936,867	6,562,319	(374,548)
Intergovernmental revenues	27,134,631	27,476,186	28,286,192	810,006
Charges for services	11,638,896	12,486,599	12,714,864	228,265
Fines and forfeits	694,600	694,600	764,906	70,306
Miscellaneous	1,183,813	1,544,171	1,378,005	(166,166)
Total Revenues	<u>70,171,281</u>	<u>71,720,897</u>	<u>72,315,273</u>	<u>594,376</u>
Expenditures:				
Current:				
General government	15,911,629	16,341,210	15,081,020	1,260,190
Public safety	31,819,245	31,934,522	30,626,879	1,307,643
Judicial	4,764,624	6,556,101	6,423,660	132,441
Public works	2,050,165	2,190,640	2,158,460	32,180
Sanitation	1,858,384	2,025,814	1,840,005	185,809
Health	2,815,102	3,284,896	2,655,322	629,574
Welfare	515,597	515,597	356,595	159,002
Culture and recreation	5,943,213	6,062,832	5,721,113	341,719
Community support	336,513	336,513	331,134	5,379
Capital outlay	-	176,844	271,901	(95,057)
Total Expenditures	<u>66,014,472</u>	<u>69,424,969</u>	<u>65,466,089</u>	<u>3,958,880</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,156,809</u>	<u>2,295,928</u>	<u>6,849,184</u>	<u>4,553,256</u>
Other Financing Sources (Uses):				
Capital leases	-	-	54,845	54,845
Transfers in	113,684	(136,316)	582,321	718,637
Transfers out	(4,647,231)	(5,733,484)	(6,270,476)	(536,992)
Contingency	(450,000)	-	-	-
Total Other Financing Sources (Uses)	<u>(4,983,547)</u>	<u>(5,869,800)</u>	<u>(5,633,310)</u>	<u>236,490</u>
Net Change in Fund Balances	(826,738)	(3,573,872)	1,215,874	4,789,746
Fund Balances, July 1	<u>5,480,037</u>	<u>8,181,142</u>	<u>8,181,142</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,653,299</u>	<u>\$ 4,607,270</u>	<u>\$ 9,397,016</u>	<u>\$ 4,789,746</u>

CARSON CITY, NEVADA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER	WATER	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
ASSETS					
Current assets:					
Cash and investments	\$ 12,773,552	\$ 4,179,422	\$ 1,938,142	\$ 18,891,116	\$ 4,834,433
Receivables:					
Accounts and contracts, net	1,174,071	1,584,705	1,432,593	4,191,369	212,991
Due from other governments	117,412	406,000	-	523,412	494,172
Inventories	-	348,284	13,508	361,792	221,983
Prepaid items	30,033	4,360	349	34,742	50,607
Total Current Assets	14,095,068	6,522,771	3,384,592	24,002,431	5,814,186
Noncurrent assets:					
Other assets	-	-	-	-	90,000
Capital assets:					
Land	841,784	2,671,955	1,888,230	5,401,969	-
Water capacity	-	4,169,896	-	4,169,896	-
Buildings	15,294,303	4,708,903	590,143	20,593,349	1,820,327
Improvements other than buildings	104,923,370	108,347,384	8,293,783	221,564,537	-
Machinery and equipment	5,249,426	4,757,488	2,287,108	12,294,022	1,238,464
Water rights	-	19,981,480	-	19,981,480	-
Construction in progress	35,665,897	6,078,997	235,387	41,980,281	-
Less: Accumulated depreciation	161,974,780 (69,038,615)	150,716,103 (50,244,940)	13,294,651 (3,134,302)	325,985,534 (122,417,857)	3,058,791 (613,803)
Net Capital Assets	92,936,165	100,471,163	10,160,349	203,567,677	2,444,988
Total Noncurrent Assets	92,936,165	100,471,163	10,160,349	203,567,677	2,534,988
Total Assets	107,031,233	106,993,934	13,544,941	227,570,108	8,349,174
Deferred outflows of resources:					
Deferred retirement contributions	308,436	355,805	590,567	1,254,808	215,175
Deferred actuarial adjustment to 2016 contributions	16,387	18,839	31,218	66,444	11,422
Deferred earnings on retirement investments	240,601	276,603	458,372	975,576	167,719
Deferred loss on refundings	132,411	411,413	98,215	642,039	-
Total Deferred Outflows of Resources	697,835	1,062,660	1,178,372	2,938,867	394,316
Total Assets and Deferred Outflows of Resources	107,729,068	108,056,594	14,723,313	230,508,975	8,743,490

See accompanying notes.

CARSON CITY, NEVADA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017
(PAGE 2 OF 2)

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	<u>SEWER</u>	<u>WATER</u>	<u>OTHER ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,856,681	\$ 394,255	\$ 171,178	\$ 2,422,114	\$ 418,808
Accrued salaries and benefits	55,426	65,586	64,220	185,232	34,488
Accrued interest	497,361	541,919	21,533	1,060,813	-
Due to other governments	-	340,072	35	340,107	6,125
Unearned revenue	754	2,369	260,410	263,533	-
Other current liabilities	-	-	-	-	389,033
Current portion:					
Commitments payable	-	7,200	-	7,200	-
Accrued compensated absences	30,008	10,319	66,107	106,434	50,938
General obligation bonds and notes payable	2,530,571	3,466,021	497,522	6,494,114	-
Total Current Liabilities	<u>4,970,801</u>	<u>4,827,741</u>	<u>1,081,005</u>	<u>10,879,547</u>	<u>899,392</u>
Noncurrent liabilities:					
Accrued compensated absences	186,305	276,768	217,243	680,316	84,605
Net OPEB obligation	769,493	976,219	1,643,074	3,388,786	368,121
Net retirement obligation	2,356,744	2,957,527	5,265,365	10,579,636	1,926,573
Other liabilities	-	-	-	-	1,213,990
General obligation bonds and notes payable	43,842,026	54,892,051	3,787,716	102,521,793	-
Total Noncurrent Liabilities	<u>47,154,568</u>	<u>59,102,565</u>	<u>10,913,398</u>	<u>117,170,531</u>	<u>3,593,289</u>
Total Liabilities	<u>52,125,369</u>	<u>63,930,306</u>	<u>11,994,403</u>	<u>128,050,078</u>	<u>4,492,681</u>
Deferred inflows of resources:					
Deferred change in retirement experience	173,310	199,242	330,173	702,725	120,810
Deferred change in retirement contributions	47,881	55,045	91,217	194,143	33,377
Deferred gain on refundings	30,464	59,925	-	90,389	-
Total Deferred Inflows of Resources	<u>251,655</u>	<u>314,212</u>	<u>421,390</u>	<u>987,257</u>	<u>154,187</u>
Total Liabilities and Deferred Inflows of Resources	<u>52,377,024</u>	<u>64,244,518</u>	<u>12,415,793</u>	<u>129,037,335</u>	<u>4,646,868</u>
NET POSITION					
Net investment in capital assets	45,648,851	42,052,583	5,869,711	93,571,145	2,444,988
Restricted Claims	-	-	-	-	2,316,372
Unrestricted	9,703,193	1,759,493	(3,562,191)	7,900,495	(664,738)
Total Net Position	<u>\$ 55,352,044</u>	<u>\$ 43,812,076</u>	<u>\$ 2,307,520</u>	<u>101,471,640</u>	<u>\$ 4,096,622</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(700,486)</u>	
Net position of business - type activities				<u>\$ 100,771,154</u>	

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

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	<u>SEWER</u>	<u>WATER</u>	<u>OTHER ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	
Operating Revenues:					
Charges for services	\$ 12,996,501	\$ 15,053,015	\$ 6,063,596	\$ 34,113,112	\$ 12,955,755
Operating Expenses:					
Salaries and wages	1,491,839	1,559,356	1,716,097	4,767,292	747,904
Employee benefits	782,452	934,593	1,259,174	2,976,219	481,433
Services and supplies	3,508,870	5,453,566	2,378,436	11,340,872	12,093,934
Depreciation	3,385,557	3,331,454	380,796	7,097,807	162,008
Total Operating Expenses	<u>9,168,718</u>	<u>11,278,969</u>	<u>5,734,503</u>	<u>26,182,190</u>	<u>13,485,279</u>
Operating Income (Loss)	<u>3,827,783</u>	<u>3,774,046</u>	<u>329,093</u>	<u>7,930,922</u>	<u>(529,524)</u>
Nonoperating Revenues (Expenses):					
Investment income	29,684	17,742	6,895	54,321	15,811
Miscellaneous	23,138	1,582	7,396	32,116	73,941
Interest expense	(1,002,575)	(2,047,931)	(128,528)	(3,179,034)	-
Federal interest subsidy	1,508	224,329	-	225,837	-
Gain (loss) on sales of capital assets	4,085	(98,004)	-	(93,919)	(64,300)
Bond issuance costs	(1,402)	(1,331)	-	(2,733)	-
Total Nonoperating Revenues (Expenses)	<u>(945,562)</u>	<u>(1,903,613)</u>	<u>(114,237)</u>	<u>(2,963,412)</u>	<u>25,452</u>
Income (Loss) Before Contributions and Transfers	<u>2,882,221</u>	<u>1,870,433</u>	<u>214,856</u>	<u>4,967,510</u>	<u>(504,072)</u>
Capital Contributions:					
Capital assets	-	4,161	157,214	161,375	-
Capital grants	-	125,000	-	125,000	495,050
Developers	41,974	75,648	-	117,622	-
Connection fees	244,160	185,015	-	429,175	-
Total Capital Contributions	<u>286,134</u>	<u>389,824</u>	<u>157,214</u>	<u>833,172</u>	<u>495,050</u>
Transfers In	-	-	440,000	440,000	281,020
Transfers Out	-	-	(31,020)	(31,020)	-
Total Transfers	<u>-</u>	<u>-</u>	<u>408,980</u>	<u>408,980</u>	<u>281,020</u>
Change in Net Position	<u>3,168,355</u>	<u>2,260,257</u>	<u>781,050</u>	<u>6,209,662</u>	<u>271,998</u>
Net Position, July 1	<u>52,183,689</u>	<u>41,551,819</u>	<u>1,526,470</u>		<u>3,824,624</u>
Net Position, June 30	<u>\$ 55,352,044</u>	<u>\$ 43,812,076</u>	<u>\$ 2,307,520</u>		<u>\$ 4,096,622</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(162,798)</u>	
Change in net position of business - type activities				<u>\$ 6,046,864</u>	

See accompanying notes.

**CARSON CITY, NEVADA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(PAGE 1 OF 2)**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	SEWER	WATER	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received for services	\$ 13,008,697	\$ 14,972,082	\$ 5,908,512	\$ 33,889,291	\$ 1,797,883
Cash received from employee contributions	-	-	-	-	1,152,002
Cash received from employer contributions	-	-	-	-	10,274,001
Cash payments for personnel costs	(2,314,441)	(2,383,873)	(2,931,649)	(7,629,963)	(1,378,155)
Cash payments for services and supplies	(3,202,442)	(5,824,882)	(2,415,833)	(11,443,157)	(12,841,663)
Miscellaneous cash received	23,138	1,582	7,396	32,116	73,941
	<u>7,514,952</u>	<u>6,764,909</u>	<u>568,426</u>	<u>14,848,287</u>	<u>(921,991)</u>
Net Cash Provided (Used) by Operating Activities					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	-	-	(31,020)	(31,020)	-
Transfer from other funds	-	-	440,000	440,000	281,020
	<u>-</u>	<u>-</u>	<u>408,980</u>	<u>408,980</u>	<u>281,020</u>
Net Cash Provided (Used) by Noncapital Financing Activities					
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	25,075,445	831,455	305,456	26,212,356	-
Proceeds from sales of capital assets	-	-	-	-	3,477
Connection fees	244,160	185,015	-	429,175	-
Acquisition of capital assets	(24,437,754)	(1,088,285)	(395,277)	(25,921,316)	(76,509)
Principal paid on capital debt	(1,614,719)	(3,229,806)	(443,001)	(5,287,526)	-
Interest paid on capital debt	(732,338)	(2,089,288)	(108,555)	(2,930,181)	-
Bond issuance costs	(1,402)	(1,331)	-	(2,733)	-
Federal interest subsidy	1,508	224,329	-	225,837	-
Subsidy from grant	-	125,000	-	125,000	495,050
	<u>(1,465,100)</u>	<u>(5,042,911)</u>	<u>(641,377)</u>	<u>(7,149,388)</u>	<u>422,018</u>
Net Cash Provided (Used) by Capital and Related Financing Activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	29,684	17,742	6,895	54,321	15,811
	<u>29,684</u>	<u>17,742</u>	<u>6,895</u>	<u>54,321</u>	<u>15,811</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,079,536	1,739,740	342,924	8,162,200	(203,142)
Cash and Cash Equivalents, July 1	6,694,016	2,439,682	1,595,218	10,728,916	5,037,575
Cash and Cash Equivalents, June 30	<u>\$ 12,773,552</u>	<u>\$ 4,179,422</u>	<u>\$ 1,938,142</u>	<u>\$ 18,891,116</u>	<u>\$ 4,834,433</u>

See accompanying notes.

CARSON CITY, NEVADA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(PAGE 2 OF 2)

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>				<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS</u>
	<u>SEWER</u>	<u>WATER</u>	<u>OTHER ENTERPRISE FUNDS</u>	<u>TOTAL ENTERPRISE FUNDS</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 3,827,783	\$ 3,774,046	\$ 329,093	\$ 7,930,922	\$ (529,523)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization expense	3,385,557	3,331,454	380,796	7,097,807	162,008
Miscellaneous revenues	23,138	1,582	7,396	32,116	73,941
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	12,445	115,892	(114,989)	13,348	288,212
Due from other governments	(21,647)	496	-	(21,151)	(488,750)
Inventories		(937)	2,376	1,439	(53,933)
Prepaid items	(1,174)	12,949	2,462	14,237	(41,106)
Other assets	-	-	-	-	(20,000)
Retirement deferred outflows	(258,760)	(284,269)	(445,605)	(988,634)	(178,053)
Increase (decrease) in:					
Accounts payable	329,422	(142,132)	(40,508)	146,782	4,228
Accrued salaries and benefits	(64,386)	(64,673)	(92,774)	(221,833)	(37,899)
Due to other governments	(173)	(241,692)	(1,727)	(243,592)	(22,661)
Deferred revenue	-	-	-	-	-
Unearned revenue	(23)	(201,551)	(40,095)	(241,669)	-
Connection deposits	(226)	4,726		4,500	-
Accrued compensated absences	(114,249)	(8,935)	(137,235)	(260,419)	(183,280)
Net OPEB obligation	132,441	164,422	217,871	514,734	65,932
Net retirement obligation	320,273	380,381	652,522	1,353,176	224,703
Other liabilities	-	-	-	-	(145,589)
Retirement deferred outflows	(55,469)	(76,850)	(151,157)	(283,476)	(40,221)
Total Adjustments	<u>3,687,169</u>	<u>2,990,863</u>	<u>239,333</u>	<u>6,917,365</u>	<u>(392,468)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,514,952</u>	<u>\$ 6,764,909</u>	<u>\$ 568,426</u>	<u>\$ 14,848,287</u>	<u>\$ (921,991)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Purchase of capital assets on account	\$ 151,403	\$ 50,793	\$ 5,400	\$ 207,596	\$ -
Retainage payable on construction of capital assets	763,314	2,515	-	765,829	-
Contributed capital assets	41,974	79,809	157,214	278,997	-

See accompanying notes.

CARSON CITY, NEVADA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>INVESTMENT TRUST FUND</u>	<u>AGENCY FUNDS</u>
ASSETS		
Cash and investments		
Unrestricted	\$ 8,223,429	\$ 1,063,927
Taxes receivable, delinquent	-	181,049
Due from other governments	-	19,347
	<hr/>	<hr/>
Total Assets	8,223,429	1,264,323
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	-	26,858
Due to other governments	-	1,224,348
Other liabilities	-	13,117
	<hr/>	<hr/>
Total Liabilities	-	1,264,323
	<hr/>	<hr/>
NET POSITION		
Held in trust for pool participants	<u>\$ 8,223,429</u>	<u>\$ -</u>

CARSON CITY, NEVADA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	INVESTMENT TRUST FUND
ADDITIONS	
Investment income	\$ 37,449
Capital share transactions:	
Shares sold	5,817,058
Total Additions	5,854,507
DEDUCTIONS	
Capital share transactions:	
Shares redeemed	5,609,411
Change in Net Position	245,096
Net Position, July 1	7,978,333
Net Position, June 30	\$ 8,223,429

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Carson City, Nevada (the City) is a consolidated municipality governed by an elected mayor and a four-member board, which comprise the Board of Supervisors. The accompanying financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and, therefore, data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year end.

BLENDED COMPONENT UNIT. The Redevelopment Authority is governed by a board comprised of the City's elected Board of Supervisors. The ad valorem tax rates and bond issuance authorizations are approved by the Redevelopment Authority and the Board of Supervisors and the legal liability for the general obligation portion of the Redevelopment Authority's debt remains with the City. The financial statements of the Redevelopment Authority are reported as special revenue, debt service and capital projects funds of the City and did not obtain a separate financial audit.

DISCRETELY PRESENTED COMPONENT UNITS. The Carson City Culture and Tourism Authority, (formerly known as, Carson City Visitors' Bureau) is responsible for the promotion of tourism in Carson City. The members of the Culture and Tourism Authority's governing board are appointed by the Board of Supervisors. The Culture and Tourism Authority is fiscally dependent upon the City since the Board of Supervisors sets the room tax rates and must approve any general obligation debt issuances. The Culture and Tourism Authority is presented as a governmental activity.

The Carson City Airport Authority is responsible for the operations of the Carson City Airport. The members of the Airport Authority are appointed by the Board of Supervisors. The Airport Authority is fiscally dependent upon the City since the Board of Supervisors is the recognized grantee for any Federal Aviation Administration grants awarded on behalf of the Authority and any property tax levies must be approved by the Board of Supervisors. The Airport Authority is presented as a governmental activity.

Complete financial statements for each of the discretely presented component units may be obtained at the entity's administrative offices.

Carson City Culture and Tourism Authority
1900 South Carson Street
Carson City, Nevada

Carson City Airport Authority
2600 East Graves Lane, Suite 6
Carson City, Nevada

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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 revenue 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues, except grants, available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, consolidated taxes, franchise fees, motor vehicle fuel taxes, 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.

Shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Grants and similar items are recognized as revenues when eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental fund:

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

The government reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the sewer services provided to the residents of Carson City.

The *Water Fund* accounts for the activities of the water services provided to the residents of Carson City.

Additionally, the government reports the following fund types:

Internal service funds account for group medical insurance, workers' compensation, liability and property insurance, and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The *Investment Trust Fund* accounts for the external portion of the investment pool administered by the City which includes assets held in trust for the school district.

Agency funds are custodial in nature and do not involve measurement of results of operations. The funds account for assets held by the City as an agent for various local governments, special districts and individuals. Included are funds for property taxes, sales taxes, shared revenues and other financial resources for schools, special districts, and other state and city agencies.

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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for services. Operating expenses for enterprise funds and internal service funds include salaries and wages, employee benefits, services and supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows presented for proprietary funds, cash equivalents are defined as short-term, highly liquid investments, generally with original maturities of three months or less. Since all cash in proprietary funds is pooled with the rest of the City's cash and is available upon demand, all cash and investments in those funds except restricted cash and investments are considered cash equivalents. The City considers cash purchases and sales of the following types of investments as part of its cash management program rather than part of its operating, capital, investing, and financing activities.

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

- a) United States bonds and debentures maturing within ten (10) years from the date of purchase.
- b) Certain farm loan bonds.
- c) Bills and notes of the United States Treasury and obligations of an agency or instrumentality of the United States of America or a corporation sponsored by the government maturing within ten (10) years from the date of purchase.
- d) Negotiable and non-negotiable certificates of deposit from commercial banks and insured credit unions or savings and loan associations.
- e) Certain securities issued by local governments of the State of Nevada.
- f) Other securities expressly provided by other Statutes, including repurchase agreements.
- g) State of Nevada Local Government Investment Pool.
- h) Certain bankers' acceptances, commercial paper issued by a corporation organized and operating in the United States, and money market mutual funds.

Investments are reported at fair value.

2. Investment Pool Investment Income

Interest income is recorded on the accrual basis in the investment pool. Net realized gains (losses) on investments are the sum of differences between the cost (if purchased during the fiscal year) or the fair value of the investment at the beginning of the year, and the net selling price received for investments that are sold or matured.

The net increase (decrease) in fair value of investments in the investment pool is the difference between the cost (if purchased during the fiscal year) or the fair value of the investments at the beginning of the year, and the fair value of the investments at the end of the year.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. 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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Operating appropriations and subsidies are accounted for as transfers in the funds involved.

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All funds employ the allowance method of recognizing bad debts. Management does not anticipate any material collection losses with respect to its accounts receivable balances in any fund, except the Ambulance Fund; and, therefore, the allowance in those funds is zero.

The Ambulance Fund accounts receivable are presented net of the allowance for uncollectible accounts. Allowance for uncollectible accounts at June 30, 2017 is \$198,384 and represents claims outstanding more than 180 days. Total uncollectible ambulance charges written off during the period amounted to \$608,180.

Property taxes are levied as of July 1 on property values assessed the previous December. Taxes may be paid in four installments on the third Monday in August and the first Mondays in October, January, and March. Penalties are assessed if a taxpayer fails to pay an installment within ten days of the installment due date. On the first Monday in June, if the taxes remain unpaid, a Treasurer's Trustee Certificate is issued conveying the property to the Treasurer as Trustee, constituting a lien for back taxes and accumulated delinquency charges. A two year redemption period begins after the certificate placing such property in trust is issued. 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. For property with taxes remaining unpaid at the end of the two year redemption period, The City may take a deed to the property and proceed to a tax sale. Secured roll property taxes receivable reflect only those taxes receivable from the delinquent roll years. No provision for uncollectible accounts has been established since management does not anticipate any material collection losses in respect to the remaining balances.

Accounts receivable for the discretely presented component units do not reflect an allowance for uncollectible accounts. The managements of the respective entities do not anticipate any material collection losses with respect to accounts receivable balances.

4. Inventories and Prepaid Items

The City's policy is to value inventories in Governmental Funds at cost using the average cost method, while Proprietary Fund inventories are valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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. The City uses the consumption method, expenses are recorded to the period in which those services were used.

5. Restricted Assets

Certain assets of the City's General Fund and Commissary Special Revenue Fund are classified as restricted assets because their use is restricted as the amounts are held for others.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

6. Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements, machinery and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of at least one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements other than buildings	30-45
Machinery and equipment	5-10
Infrastructure	15-50

7. Long-Term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. For current and advanced refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred as an inflow or an outflow and amortized as a component of interest expense using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays a portion of the employee's unused sick leave at the time of employee termination if provided for in the applicable Employee Association contract. Vacation pay and sick leave payoff are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Pension

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.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

9. Deferred Outflows and Deferred Inflows of Resources and Restatements

Deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow or resources (expense/expenditure) until that time. Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Items currently presented as deferred outflows and deferred inflows are as follows:

- Unamortized gains or losses resulting from advance bond refunding's are presented as deferred inflows of resources and deferred outflows of resources.
- Delinquent property taxes and delinquent landfill fees are presented in the General Fund and Other Governmental Funds as a deferred inflow of resources, specifically unavailable revenue-delinquent property taxes and delinquent landfill fees. Property tax revenues are considered "delinquent" when the due date of an assessment has passed and any statutory appeal rights have expired. Landfill fees earned but delinquent are considered delinquent if unpaid within 10 days of the due date.
- The City participates in Public Employees' Retirement System of the State of Nevada (PERS) and Judicial Retirement System of the State of Nevada (JRS), and will now present the City's portion of these retirement obligations on the Statement of Net Position. In addition, the City will recognize differences between expected and actual experience and the net difference between projected and actual earnings on pension plans investments as a deferred inflow of resources, and changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions and City contributions subsequent to the measurement date as deferred outflows of resources. Contributions subsequent to the measurement date include the current fiscal year contributions made by the City to PERS and JRS. All other deferred amounts were obtained from the Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, and Related Notes Report prepared by PERS and the GASB 68 Actuarial Valuation for JRS for the Fiscal Year Ended June 30, 2016.

10. Connection Fees

It is the policy of the Board of Supervisors that new users hooking up to the water and sewer systems pay a "pro rata" share of the cost of the existing systems as calculated on the basis of "Equivalent Residential Customers." To this end, a connection fee is charged for new hookups to the water and sewer systems and the amounts are reported as capital contributions.

11. 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 net position 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 net position that do not meet the definition of "net investment in capital assets, net of related debt" or "restricted."

In the fund financial statements, governmental fund equity is classified as fund balance.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Fund Balance Classification:

In the governmental fund statements, fund balance classifications describe the relative strength of the spending constraints:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: 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 a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Supervisors. These amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.
- Assigned: This classification includes amounts that are constrained by the City's intended use for a specific purpose but are neither restricted nor committed. The Board of Supervisors, in accordance with the Fund Balance Policy, has delegated the authority to assign fund balance for specific purposes to the City Manager or the Finance Director. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The General Fund is the only fund that would report a positive amount in unassigned fund balance. 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.

A minimum unrestricted ending fund balance of not less than 5% (with a goal of 8.3%) of total budgeted expenditures shall be included in the General Fund budget each fiscal year. An inability to meet this requirement must be approved by the Board of Supervisors.

Spending Order of Fund Balances:

Fund balance classifications should depict the nature of the net resources that are reported in the governmental fund. Fund balance in individual governmental funds may be comprised of a single classification or many classifications.

When both restricted and unrestricted funds are available for expenditure, it is the City's policy to expend restricted resources first then unrestricted resources.

Unrestricted fund balance includes the committed, assigned, and unassigned classifications. When any of these amounts are available for expenditure, it is the City's policy to expend committed resources first, followed by assigned resources, then unassigned resources.

12. Comparative Data

Comparative total data for the prior year have been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in financial position and operations for the funds. Also, certain amounts presented in prior year data have been reclassified in order to be consistent with current year's presentation.

E. IMPLEMENTATION OF GASB STATEMENTS NO. 77 AND NO. 82

As of July 1, 2016, the City adopted GASB Statement No. 77, Tax Abatement Disclosures. The implementation of this standard requires state and local governments to disclose tax abatements affecting their revenue-raising abilities in their financial reports. The additional disclosures required by this standards are included in Note 4.

As of July 1, 2016, the City adopted GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. The implementation of this standard is to clarify issues regarding the presentation of payroll-related measures in required supplementary information.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds. All annual appropriations lapse at fiscal year-end.

On or before mid-February of each year, all agencies of the City must submit requests for appropriations to the Internal Finance Committee comprised of the City Manager, Finance Director, District Attorney and Human Resources Director in order that a budget may be prepared. Before April 15th, a tentative budget is submitted to the Board of Supervisors, the Redevelopment Authority, and the State of Nevada. The City then holds a series of public hearings and a final budget must be prepared and adopted no later than June 1st.

The appropriated budget is prepared by fund, function and department. The City's department heads may request transfers of appropriations within the department's budget categories. Transfers of appropriations between department categories or functions within a fund may be made with the City Manager's approval. Transfers of appropriations between funds, from contingency accounts, or increases in budget appropriations require the approval of the Board of Supervisors or Redevelopment Authority. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for governmental funds and the sum of operating and nonoperating expenses in the proprietary funds. There are no budgetary restrictions in the debt service funds regarding expenditures related to payments of principal and interest on long-term debt. The Board of Supervisors made several supplemental budgetary appropriations throughout the year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

C. DEFICIT FUND EQUITY

The Ambulance and the Group Medical Insurance Funds have deficit fund balances of \$3,407,938 and \$181,135, respectively. These deficit balances are due to large retirement obligations added according to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

At year end, the City's carrying amount of deposits was \$4,866,572 and the bank balance was \$5,653,225. All of the bank balance was covered by FDIC, SIPC, or collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

The carrying amount of deposits for Carson City Airport Authority, discretely presented component unit, was \$697,829, and the bank balance was \$703,238. All of the bank balance was covered by federal depository insurance or by collateral held by the component unit's agent in the component unit's name. As of June 30, 2017, the Carson City Culture and Tourism Authority (formerly known as Carson City Visitors' Bureau) is investing in the Carson City Investment Pool, their balance is \$1,368,333.

The City has a formal investment policy to establish guidelines for the prudent investment of City funds. Funds of the City will be invested in compliance with the provisions of Nevada Revised Statutes (NRS), Chapters 355.167 through 355.200, and other applicable statutes. Allowable investments are described in Note 1.D.1.

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; and
- Level 3 – Inputs are significant unobservable inputs.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The City does not have any investments that are measured using Level 3 inputs.

As of June 30, 2017, the City had the following recurring fair value measurements below:

<u>Government-wide Balances:</u> <u>Investment Type</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>	
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
U.S. Treasuries	\$ 5,937,912	\$ 5,937,912	\$ -
U.S. Agencies	13,808,540	-	13,808,540
Corporate Bonds	12,226,900	-	12,226,900
Money Market Mutual Fund	186,933	186,933	-
	<u>32,160,285</u>	<u>6,124,845</u>	<u>26,035,440</u>
State of Nevada:			
Local Government Investment Pool	13,765,695	-	-
Total	<u>\$ 45,925,980</u>	<u>\$ 6,124,845</u>	<u>\$ 26,035,440</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.

At year end, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturities (in Years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>10+</u>
U.S. Treasuries	\$ 5,937,912	\$ 498,475	\$ 5,439,437	\$ -	\$ -
U.S. Agencies	13,808,540	1,745,236	10,960,333	832,343	270,628
Corporate Bonds	12,226,900	2,609,090	9,617,810	-	-
Money Market Mutual Fund	186,933	186,933	-	-	-
State of Nevada:					
Local Government Investment Pool	13,765,695	13,765,695	-	-	-
Total	<u>\$ 45,925,980</u>	<u>\$ 18,805,429</u>	<u>\$ 26,017,580</u>	<u>\$ 832,343</u>	<u>\$ 270,628</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's Investment Policy states that portfolio maturities must be structured to avoid the forced sale of securities in any but the most severe circumstances. To this end, portfolio management procedures will provide for the projection of a "minimum liquidity requirement" for the City's operating fund.

The following procedures will be applied:

- **Minimum Liquidity Requirement:** This is defined as the total cash flow needed to pay City obligations for a period of four weeks. All securities to be included in the "minimum liquidity requirement" must mature within 28 days.
- **Intermediate Market Investment:** That portion of City funds remaining after deletion of the "minimum liquidity requirement" may be invested in the intermediate market, defined herein as instruments maturing between zero and ten years.
- **No U.S. bonds, debentures, bills, notes, agency obligations or other securities, including those used as collateral for repurchase agreements, may have a maturity date of more than 10 years from the date of purchase. Securities purchased by money managers under the provisions of NRS 355.171 may have a longer stated maturity date.**

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Credit Risk. Funds invested with the State of Nevada Treasurer in the Local Government Investment Pool may be invested as permitted by Nevada Revised Statutes. City policy does not further restrict these investments. As of June 30, 2017, the City's investments in U.S. Agencies were rated AA- by Standard and Poor's and A1 by Moody's Investors Service. The City's investment in the State of Nevada Local Government Investment Pool is an unrated external investment pool with an average duration of 142 days. The City's investments in corporate bonds were rated as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Moody's	\$4,546,888	\$ 1,496,770	\$1,935,278	\$4,247,964
S&P	4,021,277	1,248,960	2,183,088	4,773,575

Concentration of Credit Risk. The City's Investment Policy states that no more than 20% of the total book value of the portfolio will be invested in a single security type with the exception of U.S. Treasury and government agency securities.

At June 30, 2017, the following investments exceeded 5% of the City's total:

Federal Home Loan Mortgage Corporation	\$5,651,613	12.31%
Federal Home Loan Banks	4,140,197	9.01%
Federal National Mortgage Association	4,016,730	8.75%

A reconciliation of cash and investments for the primary government follows:

Cash on hand	\$ 7,522
Carrying amount of deposits	4,866,572
Carrying amount of investments	<u>45,925,980</u>
	\$50,800,074
Less: Carrying amount of deposits held for component unit	<u>(1,368,333)</u>
	<u>\$49,431,741</u>
Cash and investments – governmental activities	\$20,767,251
Cash and investments – business-type activities	18,891,114
Cash and investments – investment trust fund	8,223,429
Cash and investments – OPEB trust fund	(4,220)
Cash and investments – agency funds	1,063,960
Cash and investments – restricted	<u>490,207</u>
	<u>\$49,431,741</u>

The State of Nevada Local Government Investment Pool is an external pool administered by the State Treasurer, with oversight by the State of Nevada Board of Finance. Investment in the Local Government Investment Pool is carried at fair value, which is the same as the value of the pool shares.

The City administers an external investment pool combining the City money with involuntary investments from the Carson City School District and voluntary investments from the Carson City Other Post-Employment Benefits Trust Fund. Each participant's share is equal to their original investment plus or minus monthly allocation of interest income and realized and unrealized gains and losses. Interest allocation is calculated monthly and is based on the month end cash balances of each fund participating in the pool. The fair value and interest receivable allocations are calculated at year end and are based on the average monthly cash balance of each fund participating in the pool. The determination of realized gains and losses is independent of the determination of the net change in the fair value of investments and realized gains and losses on investments that were held by the governmental entity during a previous accounting period(s) but sold during the current period were used to compute the change in the fair value of investments for the previous year(s) as well as the current year. The participant's share and redemption value are calculated using the same method. The Board of Supervisors has overall responsibility for investment of the City funds, including the Investment Trust Fund, in accordance with NRS 355.175. The Carson City Chief Investment Official is the Carson City Treasurer, under authority delegated by the Board of Supervisors. The City has not provided or obtained any legally binding guarantees during the period to support the value of shares. The external investment pool is not registered with the SEC as an investment company.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Summary of investments held in the external investment pool at June 30, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Principal Amount Number of Shares</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
U.S. Treasuries	\$ 5,937,912	\$ 5,971,000	0.75-1.50%	02/28/2018-03/31/2021
U.S. Agencies	13,808,540	13,822,765	0.75-5.5%	09/25/2017-07/25/2035
Corporate Bonds	12,226,900	12,221,922	0.0-5.65%	07/03/2017-03/15/2022
Money Market Mutual Fund	186,933	186,933	0.0%	07/01/2017
State of Nevada Local Government Investment Pool	<u>13,765,695</u>	13,765,695	Variable	07/01/2017
Total Pooled Investments	<u>\$45,925,980</u>			

External Investment Pool financial statements:

Statement of Net Position, June 30, 2017

Assets:	
Investments in securities:	
U.S. Treasuries	\$ 5,937,912
U.S. Agencies	13,808,540
Corporate Bonds	12,226,900
Money Market Mutual Fund	186,933
State of Nevada Local Government Investment Pool	13,765,695
Interest receivable	<u>95,865</u>
Total Assets	<u>\$46,021,845</u>
Net position consists of:	
Internal participants	\$37,802,636
External participants	<u>8,219,209</u>
Total Net Position Held in Trust for Pool Participants (Participant units outstanding, \$1.00/par)	<u>\$46,021,845</u>

Statement of Changes in Net Position, Year Ended June 30, 2017

Additions:	
Capital share transactions	\$ 7,578,927
Investment income	594,142
Realized gains (losses)	(73,592)
Unrealized gains (losses)	<u>(292,893)</u>
Total Additions	<u>7,806,584</u>
Deductions:	
Investment fees	<u>46,987</u>
Total Deductions	<u>46,987</u>
Net Increase	7,759,597
Net position:	
Beginning of Year	<u>38,262,248</u>
End of Year	<u>\$ 46,021,845</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 136,831,268	\$ 112,098	\$ (24,701)	\$ -	\$ 136,918,665
Construction in progress - infrastructure	5,331,527	222,349	(3,325)	(5,286,037)	264,514
Construction in progress	4,394,566	3,711,233	-	(4,364,101)	3,741,698
Total Capital Assets not being Depreciated	146,557,361	4,045,680	(28,026)	(9,650,138)	140,924,877
Capital assets, being depreciated:					
Buildings	85,181,423	659,764	(345,434)	3,232,655	88,728,408
Improvements other than buildings	46,970,743	2,700,054	(7,301)	87,723	49,751,219
Machinery and equipment	34,340,864	1,819,431	(1,261,541)	1,309,959	36,208,713
Infrastructure	158,278,168	5,929,512	-	5,281,161	169,488,841
Total Capital Assets being Depreciated	324,771,198	11,108,761	(1,614,276)	9,911,498	344,177,181
Less accumulated depreciation for:					
Buildings	(24,569,390)	(1,771,896)	27,635	-	(26,313,651)
Improvements other than buildings	(19,449,224)	(1,564,838)	1,947	-	(21,012,115)
Machinery and equipment	(25,448,135)	(2,148,377)	1,079,025	(259,020)	(26,776,507)
Infrastructure	(35,532,464)	(2,068,208)	-	-	(37,600,672)
Total Accumulated Depreciation	(104,999,213)	(7,553,319)	1,108,607	(259,020)	(111,702,945)
Total Capital Assets being Depreciated, Net	219,771,985	3,555,442	(505,669)	9,652,478	232,474,236
Governmental Activities Capital Assets, Net	\$ 366,329,346	\$ 7,601,122	\$ (533,695)	\$ 2,340	\$ 373,399,113

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

	Balance July 1, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 5,397,807	\$ 4,161	\$ -	\$ -	\$ 5,401,968
Construction in progress	23,178,003	21,824,052	-	(3,021,773)	41,980,282
Water rights	19,981,480	-	-	-	19,981,480
Water Capacity	4,169,896	-	-	-	4,169,896
Total Capital Assets not being Depreciated	<u>52,727,186</u>	<u>21,828,213</u>	<u>-</u>	<u>(3,021,773)</u>	<u>71,533,626</u>
Capital assets, being depreciated:					
Buildings	20,593,349	-	-	-	20,593,349
Improvements other than buildings	217,837,832	939,173	-	2,787,532	221,564,537
Machinery and equipment	11,634,106	597,521	(113,696)	195,209	12,313,140
Total Capital Assets being Depreciated	<u>250,065,287</u>	<u>1,536,694</u>	<u>(113,696)</u>	<u>2,982,741</u>	<u>254,471,026</u>
Less accumulated depreciation for:					
Buildings	(5,880,384)	(419,657)	-	-	(6,300,041)
Improvements other than buildings	(100,919,662)	(5,834,583)	-	-	(106,754,245)
Machinery and equipment	(8,689,505)	(843,572)	113,696	36,692	(9,382,689)
Total Accumulated Depreciation	<u>(115,489,551)</u>	<u>(7,097,812)</u>	<u>113,696</u>	<u>36,692</u>	<u>(122,436,975)</u>
Total Capital Assets being Depreciated, Net	<u>134,575,736</u>	<u>(5,561,118)</u>	<u>-</u>	<u>3,019,433</u>	<u>132,034,051</u>
Business-type activities capital assets, Net	<u>\$ 187,302,922</u>	<u>\$ 16,267,095</u>	<u>\$ -</u>	<u>\$ (2,340)</u>	<u>\$ 203,567,677</u>

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

Governmental activities:	
General government	\$ 546,551
Judicial	54,084
Public safety	1,393,965
Public works	2,604,287
Airport	476,769
Health	687,285
Culture and recreation	1,631,370
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>162,008</u>
Total Depreciation Expense – Governmental Activities	<u>\$7,553,319</u>
Business-type activities:	
Ambulance	\$ 46,432
Sewer	3,385,558
Water	3,331,455
Cemetery	12,892
Storm Drainage	<u>321,475</u>
Total Depreciation Expense – Business-Type Activities	<u>\$7,097,812</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Construction commitments

The City was committed to construction projects in various funds, as of June 30, 2017, as follows:

Project Name Contract Number <u>Vendor Name</u>	<u>Bid Award</u>	Value of Work Completed as of <u>June 30, 2017</u>	Remaining Commitment as of <u>June 30, 2017</u>
<u>Sewer Fund:</u>			
CMAR Water Resource Recovery Facility Phase 1 - #1314-132B KG Walters/Q&D	\$29,991,581	\$25,435,312	\$4,556,269
N. Nevada St. & N. Division St. Sewer & Water Main Replacement - #1617-119 Peek Brothers Construction, Inc.	2,197,952	109,166	2,088,786
<u>Transportation Projects:</u>			
Blue Line ADA Improvements #1617-123 Justin Wilson Construction, LLC	76,642	72,807	3,835
Koontz Land ADA Improvements #1617-152 Justin Wilson Construction, LLC	61,125	-	61,125
<u>Parks and Recreation – Swimming Pool:</u>			
Aquatic Center Re-roof Project #1617-056 Alpine Roofing	54,278	49,344	4,934
Rifle Range Vault Toilet & ADA #1617-147 MNW Construction, LLC	11,000	2,750	8,250
<u>Infrastructure Fund:</u>			
CMAR Downtown Carson Streetscape Project - #1415-145B Q&D Construction	8,258,518	8,093,348	165,170
<u>Insurance Fund:</u>			
Vice Canyon Sediment Basin Repair Project (2017 Flood) - #1617-155 Horizon Construction, Inc.	50,175	45,614	4,561
Combs/Timberline Sediment Basin Project (2017 Flood) - #1617-157 ARMAC Construction, LLC	98,489	98,015	474
Historic Roberts House Preservation Project (Arson) - #1617-118 Central Sierra Construction, Inc.	<u>45,500</u>	<u>-</u>	<u>45,500</u>
Total	<u>\$40,845,260</u>	<u>\$33,906,356</u>	<u>\$6,938,904</u>

Other Commitments:

On April 1, 1997, the City entered into an agreement with the State of Nevada, Department of Transportation (Highway Agreement No. R159-97-060) to help construct the Carson City Bypass. The City is funding this obligation through a \$.05 increase in the county motor vehicle fuel tax. The City intends to contribute a total of \$19 million plus interest. As of June 30, 2017 the City has contributed \$14,196,189.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

In August 2004, the City and the State of Nevada, Department of Transportation (NDOT) added Amendment 1 to the above Agreement. The amendment provides for the following:

- The City shall pay to NDOT an amount of \$15,000,000, with payments beginning upon completion of the funding obligation for Phase I of the freeway as prescribed in Highway Agreement No. R159-97-060 and amended herein, estimated to start in 2011 and finish in 2026. For Phase 2, the City shall pay the tax based on a \$.03 levy in the county motor vehicle fuel tax. The amounts received from the additional \$.02 levy will be used to maintain Carson Street and Fairview Drive as described below.
- It is further agreed that the City will assume ownership and maintenance responsibility for Carson Street from approximately Arrowhead Drive in the north to the intersection of the Carson City Freeway at the Spooner Intersection to the south, upon construction completion to the point when vehicles are using Phase 2.
- The City also agrees to construct Fairview Drive to a minimum of four through lanes with turn lanes, from the terminus of Phase 2A at Fairview Drive to US 395/Carson Street, and to be responsible for maintenance of Fairview Drive.
- NDOT agrees to defer payment by the City of the current \$.05 tax as defined in Highway Agreement No. R159-97-060 from the period beginning July 1, 2005 through June 30, 2008, to allow the City to utilize the payments for the Fairview Drive improvements.

In December 2007, the City and the NDOT added Amendment 2. The amendment provides for the following:

- City agreed to assume ownership and maintenance responsibility of additional State streets in lieu of remaining payment due for Phase 1 in the amount of \$4.8 million dollars.
- Deferred payment of \$.03 tax to July 1, 2009, to allow construction of Fairview Drive.

In 2009, the City and the NDOT added Amendment 3. The amendment provides for the following:

- City agreed to take additional State streets for maintenance and forego pavement rehabilitation by NDOT of Carson Street in lieu of a portion of the remaining payment due for Phase 2 in the amount of \$7.9 million dollars.
- Deferred \$.03 tax payments for remaining \$7.1 million until completion of Phase 2B.

On August 10, 2016 the City and the NDOT added Amendment 4. The amendment provides for the following:

- Clarification that the portions of Snyder Avenue and S. Carson Street (including associated Frontage Road) would be relinquished to the City as previously agreed upon following completion and opening to traffic of Phase 2B-3 of the freeway (expected in 2018). Although the freeway is open to traffic the State has not completed the project.
- NDOT shall pay Carson City a sum not to exceed \$5.1 million for improvements to include a Complete Streets Project within the relinquished State highways area, which Carson City agrees to have under construction by the end of 2019.
- Clarification of the deferred \$.03 tax payments for the remaining \$7.1 million was included which states that tax payments are deferred until the completion of Phase 2B, including the completion of the interchange at Carson Street/U.S. Highway 50 West at the southern terminus of the Carson City Freeway, (known as Phase 2B-4).

As of June 30, 2017, Phase 2B-4 had not yet been initiated or programmed by the Nevada Department of Transportation and, as such, the \$.03 tax payments mentioned above remain deferred.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Discretely presented component units

Activity for the Airport Authority for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 146,542	\$ -	\$ -	\$146,542
Total Capital Assets not being Depreciated	<u>146,542</u>	<u>-</u>	<u>-</u>	<u>146,542</u>
Capital assets being depreciated:				
Machinery and equipment	705,815	-	-	705,815
Less accumulated depreciation for:				
Machinery and equipment	<u>(614,272)</u>	<u>(21,772)</u>	<u>-</u>	<u>(636,044)</u>
Total Capital Assets being Depreciated, Net	<u>91,543</u>	<u>(21,772)</u>	<u>-</u>	<u>69,771</u>
Airport Authority Capital Assets, Net	<u>\$ 238,085</u>	<u>\$ (21,772)</u>	<u>\$ -</u>	<u>\$216,313</u>

Activity for the Culture and Tourism Authority for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets, not being depreciated:				
Website	\$ 41,028	\$ -	\$ -	\$ 41,028
Total Capital Assets not being Depreciated	<u>41,028</u>	<u>-</u>	<u>-</u>	<u>41,028</u>
Capital assets, being depreciated:				
Improvement other than buildings	8,388	-	-	8,388
Machinery and equipment	<u>42,795</u>	<u>-</u>	<u>-</u>	<u>42,795</u>
Total Capital Assets being Depreciated	<u>51,183</u>	<u>-</u>	<u>-</u>	<u>51,183</u>
Less accumulated depreciation for:				
Improvements other than buildings	(1,349)	(1,198)	-	(2,547)
Machinery and equipment	<u>(9,545)</u>	<u>(6,114)</u>	<u>-</u>	<u>(15,659)</u>
Total Accumulated Depreciation	<u>(10,894)</u>	<u>(7,312)</u>	<u>-</u>	<u>(18,206)</u>
Total Assets Being Depreciated, Net	<u>40,289</u>	<u>(7,312)</u>	<u>-</u>	<u>32,977</u>
Culture and Tourism Authority Capital Assets, Net	<u>\$ 81,317</u>	<u>\$ (7,312)</u>	<u>\$ -</u>	<u>\$ 74,005</u>

C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$42,951</u>
Nonmajor governmental funds	Nonmajor governmental funds	<u>\$7,320</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The above interfund balances at June 30, 2017 are generally short-term loans to cover temporary cash deficits in various funds. They are expected to be repaid in the next fiscal year.

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit – Airport Authority	Primary government – General Fund	<u>\$ 246,131</u>

Interfund transfers:

<u>Transfers out:</u>	<u>Transfers In:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Internal Service Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$250,000	\$440,000	\$5,580,476	\$6,270,476
Nonmajor Governmental Funds	582,321	-	-	6,040,312	6,622,633
Nonmajor Enterprise Funds	-	31,020	-	-	31,020
Total Transfers	<u>\$582,321</u>	<u>\$281,020</u>	<u>\$ 440,000</u>	<u>\$11,620,788</u>	<u>\$12,924,129</u>

Transfers are used to (1) move 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) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. LONG-TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year.

Business-type general obligation bonds through the State of Nevada revolving loan program were authorized on July 10, 2015 up to the amounts of \$12,000,000 Sewer Bonds. At June 30, 2017 amounts drawn and payable are \$8,257,708. General obligation revenue bonds through the State of Nevada revolving loan program were issued to finance capital improvement projects for the City’s public sewer system. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.00-5.00%	\$ 13,340,000
Governmental activities - refunding	2.00-5.00%	46,330,000
Business-type activities	0.0-6.662%	82,095,430
Business-type activities - refunding	2.0-5.000%	23,702,000

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Revenue Bonds. The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. On May 25, 2017 the City issued Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds Series 2017 in the amount of \$5,951,000, proceeds were used to partially refund the 2008 Highway Revenue Bonds. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Regional Transportation	2.37-5.00%	\$ 15,384,200

Notes Payable. The City issues notes to provide funds for open space, various improvements, and vehicles and to refund Redevelopment debt. On December 14, 2016 the City issued two installment purchase agreements for an energy efficiency project, one was a 10 year tax exempt note in the amount of \$1,156,700, and the other was a 20 year qualified energy conservation bond in the amount of \$3,101,538. The installment purchase agreements are payable to the City on a reimbursement basis, as of June 30, 2017 the City had drawn \$3,425,293. Notes payable outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Installment purchase agreement		
BRIC Purchase	2.650%	899,800
Landfill capital equipment	2.230%	1,253,000
911 Surcharge capital equipment	2.230%	662,000
Installment purchase agreement		
Energy Efficiency	2.190%	790,343
Energy Efficiency (QECB)	4.690%	2,634,950
Business-type activities:		
Stormwater Drainage	1.880%	260,900
Sewer	1.880%	524,900

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

Governmental activities

The City has pledged 15% of the consolidated tax revenue receipts for the repayment of various General Obligation Revenue bonds consisting of the Refunding Bonds series 2010, 2013 Installment Purchase Agreement, Refunding Bonds Series 2013A, Medium Term Landfill Capital Acquisition Bonds Series 2014, Medium Term 911 Surcharge Capital Acquisition Bonds Series 2014 and the Refunding Capital Improvement Bonds Series 2015C. The total principal and interest remaining to be paid on the bonds is \$41,491,312 payable through fiscal year 2033. For the current year, principal and interest paid for the bonds totaled \$3,805,032 and pledged revenues totaled \$4,113,944.

The City has pledged future 1/4 cent voter approved (Quality of Life) sales tax revenues to repay \$9,060,000 in Parks Refunding Bonds Series 2010 and Parks Refunding Bonds Series 2013C. Proceeds of the bonds provided financing for new parks facilities, to purchase open space and to improve and equip current parks facilities. The bonds are intended to be paid solely from the 1/4 cent tax revenues and are payable through fiscal year 2030. Annual principal and interest payments on the bonds are expected to require 25% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$8,870,605. For the current year, principal and interest paid for the bonds totaled \$655,169 and pledged revenues totaled \$2,575,087.

The City has pledged future 1/8 cent sales tax revenues (NRS 377B), to repay \$8,400,000 in General Obligation V&T Historical Refunding Bonds Series 2014E. The bonds are intended to be paid solely from the 1/8 cent tax revenues and are payable through fiscal year 2026. Annual principal and interest payments on the bonds are expected to require 81% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$9,384,575. For the current year, principal and interest paid for the bonds totaled \$1,042,450 and pledged revenues totaled \$1,287,504.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The City has pledged future 1/8 cent sales tax revenue (NRS 377B), to repay \$13,600,000 in General Obligation Infrastructure Sales Tax Bonds 2014F. The bonds are intended to be paid solely from the 1/8 cent tax revenues and are payable through fiscal year Fiscal Year 2045. Annual principal and interest payments on the bonds are expected to require 60% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$21,703,875. For the current year, principal and interest paid for the bonds totaled \$773,575, and pledged revenues totaled \$1,283,794.

The City has pledged room tax to repay \$3,350,000 in Room Tax Refunding Revenue Supported Bonds. The bonds are intended to be paid solely from room tax and are payable through fiscal year 2023. Annual principal and interest payments on the bonds are expected to require 17% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$2,375,350. For the current year, principal and interest paid for the bonds totaled \$347,655 and pledged revenues totaled \$1,934,371.

The City has pledged motor vehicle fuel tax revenues to repay \$9,055,000 in Highway Revenue (Motor Vehicle Fuel Tax) Improvement Bonds Series 2008, and \$3,332,300 in Refunding Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Refunding Bonds Series 2012, \$6,170,000 in Refunding Highway Revenue (Motor Vehicle Fuel Tax) Subordinate Lien Improvement Bonds Series 2015, and \$5,951,000 in Refunding Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds Series 2017. The bonds are secured solely from motor vehicle fuel tax and are payable through fiscal year 2030. Annual principal and interest payments on the bonds are expected to require 57% of the pledged revenues. The total principal and interest remaining to be paid on the bonds is \$18,550,489. For the current year, principal and interest paid for the bonds totaled \$1,634,911 and pledged revenues totaled \$2,858,234.

Business-type activities

The City has pledged future sewer utility customer revenues, connection fees and investment earnings, net of specified operating expenses to repay \$56,741,728 in sewer utility system general obligation revenue bonds issued between fiscal years 1995 and 2017. Sewer State Revolving Fund Bonds issued July 10, 2015 totaled \$12,000,000 are not fully drawn down, as of June 30, 2017 only \$8,257,708 was drawn. Proceeds from the bonds provided financing for expansion of, and improvements to, the sewer utility system. The bonds are intended to be paid solely from utility customer net revenues and are payable through fiscal year 2035. Annual principal and interest payments on the bonds are expected to require as much as 100% of the utility's net revenues. The total principal and interest remaining to be paid on the bonds is \$57,179,902. For the current year, principal and interest paid for the bonds totaled \$2,638,875 and net pledged revenues totaled \$7,510,428.

The City has pledged future water utility customer revenues and connection fees and investment earnings, net of specified operating expenses to repay \$69,147,000 in water utility system general obligation revenue bonds issued between fiscal years 1998 and 2014. The bonds are intended to be paid solely from utility customer net revenues and are payable through fiscal year 2040. Annual principal and interest payments on the bonds are expected to require as much as 100% of the utility's net revenues. The total principal and interest remaining to be paid on the bonds is \$78,211,548. For the current year, principal and interest paid for the bonds totaled \$5,277,736 and net pledged revenues totaled \$7,532,837.

The City has pledged future storm drainage utility customer revenues and connection fees and investment earnings, net of specified operating expenses to repay \$5,141,738 in storm drainage utility system general obligation revenue bonds issued between fiscal years 2005 and 2014. The bonds are intended to be paid solely from utility customer net revenues and are payable through fiscal year 2034. Annual principal and interest payments on the bonds are expected to require as much as 100% of the utility's net revenues. The total principal and interest remaining to be paid on the bonds is \$4,980,928. For the current year, principal and interest paid for the bonds totaled \$571,528 and net pledged revenues totaled \$805,080.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Capital Leases. The City has entered into lease agreements as lessee for financing the acquisition of office equipment. The net present value of minimum lease payments at year end was \$65,202 to be paid in full in 2021.

The assets acquired through capital lease are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 95,143
Less: Accumulated depreciation	<u>(19,201)</u>
Total	<u>\$ 75,942</u>

Compensated Absences. The compensated absences liability attributable to governmental activities is liquidated primarily by the General Fund.

Advanced Refundings. During the year ended June 30, 2017 the City had the following advanced refundings:

On May 25, 2017, the City issued \$5,951,000 of Highway Revenue (Motor Vehicle Fuel Tax) Refunding Bonds Series 2017 to provide resources for capital improvements and to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,549,500 of Highway Revenue Bonds. The refunding was undertaken to refund the “Regional Transportation Improvement Program Note, Series 2008” maturing on November 1, 2027. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$310,259. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is the same as the old debt. The advanced refunding resulted in a decrease in total debt service payments over the next eleven years of \$678,286 and an economic gain of \$585,669. The total amount of the outstanding debt defeased and placed in an irrevocable trust at May 25, 2017 was \$5,859,759.

Conduit Debt. On March 4, 2002, October 1, 2003, and October 27, 2005, the City issued \$45,185,000, \$95,000,000, and \$15,000,000, respectively, in revenue bonds for Carson-Tahoe Regional Healthcare, a non-profit corporation. As of September 1, 2012 the City issued \$52,930,000 in Hospital Revenue Refunding Bonds (Carson Tahoe Regional HealthCare Project) Series 2012 for the sole purpose of refunding \$20,180,000 of the March 4, 2002 Hospital Revenue Bonds (Carson-Tahoe Hospital Project) Series 2002 and \$39,035,000 of the October 1, 2003 Hospital Revenue Bonds (Carson-Tahoe Hospital Project) Series 2003A. The bonds issued pursuant to NRS Chapter 268, are not obligations of the City, nor shall they ever constitute a debt of the City and therefore have been excluded from the City’s financial statements. The principal balance outstanding at June 30, 2017 was \$96,135,000.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Changes in long-term liabilities. Long-term liability activity of the primary government for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation revenue bonds:					
2.0 to 3.5% Park refunding general obligation revenue bonds series 2010, due 11/01/18 - \$2,505,000	\$ 1,045,000	\$ -	\$ (335,000)	\$ 710,000	\$ 350,000
2.0 to 4.0% Various Purpose refunding general obligation revenue bonds series 2010, due 6/01/21 - \$4,705,000	2,455,000	-	(605,000)	1,850,000	630,000
2.2 to 3.5% Various Purpose refunding general obligation revenue bonds series 2013A, due 5/31/30 - \$16,520,000	14,465,000	-	(750,000)	13,715,000	780,000
2.0 to 2.5% Room Tax refunding general obligation revenue bonds series 2013B, due 6/01/23 - \$3,350,000	2,495,000	-	(295,000)	2,200,000	300,000
2.0 to 4.0% Parks refunding general obligation revenue bonds series 2013C, due 3/01/30 - \$6,555,000	6,505,000	-	(80,000)	6,425,000	75,000
2.0 to 5.0% V&T refunding general obligation revenue bonds series 2014E, due 12/01/25 - \$8,400,000	8,400,000	-	(720,000)	7,680,000	735,000
3.0 to 5.0% Infrastructure Sales Tax general obligation revenue bonds series 2014F, due 9/01/44 - \$13,600,000	13,600,000	-	(260,000)	13,340,000	270,000
2.0 to 5.0% Capital improv. refunding general obligation revenue bonds series 2015C, due 5/01/33 - \$15,410,000	14,410,000	-	(660,000)	13,750,000	670,000
Subtotal	<u>63,375,000</u>	<u>-</u>	<u>(3,705,000)</u>	<u>59,670,000</u>	<u>3,810,000</u>
Revenue Bonds:					
4.9% 2008 Highway Revenue motor vehicle fuel tax revenue bonds, due 11/01/27 - \$9,055,000	6,912,200	-	(5,865,800)	1,046,400	329,700
2.370% 2012 Highway Revenue refunding motor vehicle fuel tax revenue bonds, due 11/01/23 - \$3,332,300	2,928,300	-	(336,500)	2,591,800	346,900
3.0 to 5.0% 2015 Highway Revenue refunding motor vehicle fuel tax revenue bonds, due 11/01/29 - \$6,170,000	6,130,000	-	(335,000)	5,795,000	345,000
2.415% Highway Revenue refunding motor vehicle fuel tax revenue bonds, due 11/1/2027 - \$5,951,000	-	5,951,000	-	5,951,000	83,000
Subtotal	<u>15,970,500</u>	<u>5,951,000</u>	<u>(6,537,300)</u>	<u>15,384,200</u>	<u>1,104,600</u>
Notes Payable:					
1.88% Capital Projects general obligation (limited tax) medium-term note dated 7/8/12, due 3/1/17 - \$1,100,000	226,900	-	(226,900)	-	-
2.65% Installment purchase agreement, building purchase, medium-term note dated 4/24/13, due 4/1/28 - \$1,169,500	969,400	-	(69,600)	899,800	71,500
2.230% Landfill general obligation (limited tax) medium-term note dated 6/24/2014, due 6/1/2024 - \$1,733,000	1,416,000	-	(163,000)	1,253,000	167,000
2.230% 911 Surcharge general obligation (limited tax) medium-term note dated 6/24/14, due 6/1/24 - \$918,000	749,000	-	(87,000)	662,000	88,000
2.190% Installment purchase agreement, energy savings contract, medium term note dated 12/14/2016, due 12/1/2025 - \$1,156,700	-	790,343	-	790,343	56,300
4.690% Installment purchase agreement, energy savings contract (Qualified Energy Conservation Bond) dated 12/14/16, due 12/1/2036 - \$3,101,538	-	2,634,950	-	2,634,950	-
Subtotal	<u>3,361,300</u>	<u>3,425,293</u>	<u>(546,500)</u>	<u>6,240,093</u>	<u>382,800</u>

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Changes in long-term liabilities. Long-term liability activity of the primary government for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Deferred amounts:					
For issuance premiums	\$ 3,844,087	\$ -	\$ (304,624)	\$ 3,539,463	\$ 304,624
Total Bonds and Notes Payable	86,550,887	9,376,293	(11,093,424)	84,833,756	5,602,024
Incurred but not Reported Claims Liability:	1,748,612	828,535	(974,124)	1,603,023	389,033
Capital Leases:	10,181	84,845	(29,822)	65,204	30,060
Landfill Closure/Post closure costs:	3,631,790	149,413	-	3,781,203	134,228
Compensated Absences Payable:	6,219,332	3,378,426	(4,007,023)	5,590,735	840,296
Governmental Activity Long-Term Liabilities	98,160,802	13,817,512	(16,104,393)	95,873,921	6,995,641
Business Type Activities:					
Bonds payable:		57,179,902	78,211,548	4,980,928	140,372,378
General obligation revenue bonds:		2,638,875	5,277,736	571,528	8,488,139
3.23% Sewer general obligation revenue bonds, dated 1998 State of Nevada revolving loan, due 07/01/18 - \$6,096,302	1,078,728	-	(421,150)	657,578	434,863
0% Water general obligation revenue bonds series 2009 State of Nevada revolving loan, due 07/01/29 - \$3,400,000	2,481,081	-	(183,784)	2,297,297	183,784
6.662% Water general obligation revenue bonds series 2010A, due 11/01/39 - \$10,100,000	10,100,000	-	-	10,100,000	-
2.0 to 4.125% Water refunding general obligation revenue bonds series 2010B, due 11/01/21 - \$7,095,000	4,650,000	-	(520,000)	4,130,000	765,000
3.75% Water general obligation revenue bonds series 2010E State of Nevada revolving loan due 7/1/2030 authorized up to - \$21,900,000	19,235,932	-	(1,113,405)	18,122,527	1,141,752
2.0-4.5% Sewer refunding general obligation revenue bonds series 2010D, due 11/1/29 - \$2,690,000	960,000	-	(55,000)	905,000	55,000
3.75% Sewer general obligation revenue bonds series 2010F State of Nevada revolving loan due 7/1/2030 - \$2,748,556	2,301,961	-	(134,570)	2,167,391	137,805
4% Water general obligation revenue bonds series 2012, due 11/1/31 - \$3,750,000	3,235,000	-	(150,000)	3,085,000	155,000
4% Water refunding general obligation revenue bonds series 2012, due 11/1/26 - \$11,565,000	9,865,000	-	(625,000)	9,240,000	335,000
3.966% Sewer general obligation revenue bonds series 2012, due 11/1/31 - \$2,250,000	1,930,000	-	(90,000)	1,840,000	90,000
4% Sewer refunding general obligation revenue bonds series 2012, due 11/1/23 - \$3,685,000	2,255,000	-	(500,000)	1,755,000	220,000
2.79% Sewer general obligation revenue bonds series 2014 State of Nevada revolving loan due 1/1/2034 - \$23,787,662	6,902,907	16,884,755	-	23,787,662	1,110,407
2.79% Water general obligation revenue bonds series 2014 State of Nevada revolving loan due 1/1/2034 - \$6,000,000	5,168,545	-	(140,616)	5,027,929	273,618
2.79% Stormwater general obligation revenue bonds series 2014 State of Nevada revolving loan due 1/1/2034 - \$962,338	656,883	305,455	-	962,338	44,922

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Changes in long-term liabilities. Long-term liability activity of the primary government for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General obligation revenue bonds (Continued):					
2.53% Water refunding general obligation revenue bonds series 2014C, due 6/1/25 - \$5,337,000	\$ 5,107,000	\$ -	\$ (497,000)	\$ 4,610,000	\$ 512,000
2.53% Stormwater refunding general obligation revenue bonds series 2014, due 6/1/25 - \$3,466,000	3,404,000	-	(342,000)	3,062,000	350,000
2.37% Sewer general obligation revenue bonds series 2015 State of Nevada revolving loan due 7/1/2035 - \$12,000,000	67,018	8,190,690	-	8,257,708	-
2 to 5% Sewer improv. and refunding general obligation revenue bonds series 2015, due 11/1/34 - \$6,245,000	6,000,000	-	(210,000)	5,790,000	215,000
Subtotal	85,399,055	25,380,900	(4,982,525)	105,797,430	6,024,151
Notes Payable:					
1.88% Drainage refunding general obligation (limited tax) medium-term bond, due 09/01/19 - \$713,400	361,900	-	(101,000)	260,900	102,600
1.88% Sewer refunding general obligation (limited tax) medium-term bond, due 09/01/19 - \$1,436,500	728,900	-	(204,000)	524,900	207,400
Subtotal	1,090,800	-	(305,000)	785,800	310,000
Deferred amounts:					
For issuance premiums	1,767,657	-	(159,102)	1,608,555	160,558
For issuance discounts	(7,927)	-	595	(7,332)	(594)
Total bonds payable	88,249,585	25,380,900	(5,446,032)	108,184,453	6,494,115
Compensated Absences Payable:					
Business-Type Activity Long-Term Liabilities	1,047,169	300,624	(561,043)	786,750	107,144
Business-Type Activity Long-Term Liabilities	89,296,754	25,681,524	(6,007,075)	108,971,203	6,601,259
Total debt	\$ 187,457,556	\$ 39,499,036	\$ (22,111,468)	\$ 204,845,124	\$ 13,596,900

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$135,544 of internal service funds compensated absences and \$1,603,023 of incurred but not reported claims liability are included in the above amounts.

Discretely presented component units

Long-term liability activity for the Airport Authority for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Airport lease agreement	\$ 176,453	\$ -	\$ (6,240)	\$ 170,213	\$ 6,240
Prepaid lease Agreements	341,860	27,424	(15,967)	353,317	18,387
	<u>\$ 518,313</u>	<u>\$ 27,424</u>	<u>\$ (22,207)</u>	<u>\$ 523,530</u>	<u>\$ 24,627</u>

Long-term liability activity for the Culture and Tourism Authority for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Compensated absences	\$ 67,883	\$ -	\$ (2,191)	\$ 65,692	\$ -

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Payment requirements for debt service. The annual debt service requirements to maturity for all bonds outstanding of the primary government are as follows:

Year Ended June 30	GOVERNMENTAL ACTIVITIES					
	General Obligation Revenue Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 3,809,999	\$ 2,190,273	\$ 1,104,600	\$ 475,869	\$ 382,800	\$ 235,149
2019	4,055,000	2,067,498	1,131,600	448,114	447,300	225,981
2020	4,175,000	1,940,874	1,172,600	407,615	463,500	215,652
2021	4,315,000	1,804,323	1,211,100	368,534	481,000	204,957
2022	4,270,000	1,645,099	1,247,600	332,872	497,900	193,863
2023-2027	16,860,001	6,066,659	6,871,700	1,028,691	1,939,138	805,056
2028-2032	12,695,000	3,062,794	2,645,000	104,594	1,309,300	528,478
2033-2037	4,185,000	1,362,787	-	-	1,552,100	203,228
2038-2042	3,115,000	759,300	-	-	-	-
2043-2045	2,190,000	133,800	-	-	-	-
Total	\$ 59,670,000	\$ 21,033,404	\$ 15,384,200	\$ 3,166,289	\$ 7,073,038	\$ 2,612,364

Year Ended June 30	BUSINESS-TYPE ACTIVITIES			
	General Obligation Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 6,024,151	\$ 3,300,879	\$ 310,000	\$ 19,595
2019	6,363,778	3,166,118	315,800	13,710
2020	6,321,751	2,981,887	160,000	2,555
2021	6,519,658	2,790,742	-	-
2022	6,720,842	2,603,139	-	-
2023-2027	33,993,075	9,853,060	-	-
2028-2032	24,488,364	5,608,404	-	-
2033-2037	12,437,261	2,272,295	-	-
2038-2042	3,760,000	345,313	-	-
2043-2045	-	-	-	-
Total	\$ 106,628,879	\$ 32,921,838	\$ 785,800	\$ 35,860

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. RESTRICTED ASSETS

The balances of the City's restricted asset accounts in the governmental funds are as follows:

	<u>General</u>	<u>Commissary</u>	<u>Total</u>
Funds held in trust	<u>\$447,234</u>	<u>\$ 42,973</u>	<u>\$490,207</u>

F. FUND BALANCES/NET POSITION

Government-wide Financial Statements. The government-wide Statement of Net Position utilizes a proprietary presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Restricted resources have externally imposed (statutory, bond covenant, contract or grant) limitations on their use. Restricted resources are classified either by function, debt service, capital projects, or claims. Resources restricted by function relate to net resources of governmental and enterprise funds whose use is legally limited by outside parties for a specific purpose. Restrictions for debt service represent resources legally restricted by State Statute or bond covenants for future debt service requirements of both principal and interest. Amounts restricted for capital projects consist of unspent grants, donations, and debt proceeds with third party restrictions for use on specific projects or programs. Net position restricted for claims represents the amount legally required to be held for payment of future claims in the Workers' Compensation Fund and Insurance Fund. The government-wide Statement of Net Position reports \$10,081,646 of restricted net resources, all of which is externally imposed.

Unrestricted net position represents available financial resources of the City.

Fund Financial Statements. Governmental fund balances are classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed on the use of the resources of the funds.

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Fund Balances</u>			
Nonspendable:			
Inventories	\$ 2,753	\$ -	\$ 2,753
Prepaid items	412,409	39,975	452,384
Total Nonspendable	415,162	39,975	455,137

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:			
Recorder technology	\$ 38,469	\$ -	\$ 38,469
Court programs and expansion	345,990	89,127	435,117
Health and human services programs	140,746	482,390	623,136
Parks and recreation programs	126,105	-	126,105
Sheriff's programs	72,894	115,180	188,074
Clerk / Recorder programs	3,178	-	3,178
District Attorney programs	74,516	-	74,516
Infrastructure projects	-	3,491,908	3,491,908
Street maintenance	-	678,318	678,318
Extraordinary maintenance	-	114,595	114,595
Redevelopment	-	904,559	904,559
Public transportation services	-	345,164	345,164
Roadways	-	1,029,025	1,029,025
Parks and open space	-	2,424,563	2,424,563
Fire programs	-	642	642
Juvenile programs	-	58	58
Senior Center	-	73,272	73,272
Cooperative extension	-	241,725	241,725
Indigent programs	-	21,536	21,536
Library	-	34,621	34,621
Emergency communications	-	186,564	186,564
Total Restricted	801,898	10,233,247	11,035,145
Committed to:			
Traffic control	-	10,044	10,044
Assigned to:			
Assessor technology	153,333	-	153,333
Fire programs	8,275	-	8,275
Sheriff's programs	76,366	27,869	104,235
Juvenile programs	4,635	-	4,635
Other programs	7,252	-	7,252
Health and human services programs	97,505	148,792	246,297
Parks and recreation programs	29,834	-	29,834
Grant programs	-	422,657	422,657
Subsequent year's budget deficit	1,355,278	-	1,355,278
Capital improvement projects	-	1,920,305	1,920,305
Debt service	-	66,970	66,970
Total Assigned	1,732,478	2,586,593	4,319,071
Unassigned	6,447,478	-	6,447,478
	\$ 9,397,016	\$ 12,869,859	\$ 22,266,875

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - OTHER INFORMATION

A. 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; and natural disasters. General liability insurance has a \$1,000,000 maximum coverage per occurrence, \$1,000,000 personal injury, and a \$2,000,000 general aggregate maximum benefit, with a self-insured retention of \$100,000 per occurrence. For property insurance, the policy limit is \$210,000,000 with a deductible of \$25,000 per occurrence. The earth movement policy limit is \$50,000,000 with a deductible of 2% per unit of insurance or \$100,000 minimum per location. The flood property policy limit is \$50,000,000 with a deductible of \$100,000 per location. The flood property – high hazard zone policy limit is \$5,000,000 with a \$250,000 per occurrence deductible. Other coverage currently held by the City, including airport liability, auto physical damage, boiler and machinery and bonds on public officials, are insured with deductibles varying from \$10,000 to \$25,000.

As of July 1, 2010, the City formed its own self-insured workers compensation program. This program exposes the City to various risks of loss related to large claims based on the health of their work force; therefore, an excess loss policy provides coverage. Statutory limits for worker’s compensation coverage are \$1,000,000 for employer’s liability limits with self-insured retentions of \$2,000,000 for police and fire employees and \$750,000 for all other employees, per accident. The City’s total net position of the Worker’s Compensation Fund was \$1,157,011 at June 30, 2017.

Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The liabilities for claims and judgments are reported in the Workers’ Compensation and Insurance Funds. Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of fiscal year	\$ 725,879	\$ 1,022,733	\$1,748,612	\$ 850,258
Claims and changes in estimates	637,278	191,257	828,535	2,587,930
Claim payments	<u>(974,124)</u>	<u>-</u>	<u>(974,124)</u>	<u>(1,689,576)</u>
Unpaid claims, end of fiscal year	<u>\$ 389,033</u>	<u>\$1,213,990</u>	<u>\$ 1,603,023</u>	<u>\$ 1,748,612</u>

Settlements have not exceeded coverages in any of the past three fiscal years.

B. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The City operates a Municipal Solid Waste Landfill. The operation of this landfill is regulated by both federal and state governments under Subtitle D (40 CFR Part 258) and NRS 444.556. Recognition of liability for closure and post closure care costs is based on landfill capacity used to date. This liability at June 30, 2017, \$3,781,203 is reported in governmental activities. It is estimated that the landfill will be used for an additional fifty years and that at June 30, 2017, approximately 41.19% of its capacity had been utilized. The City passes the EPA "financial assurance test" for local governments, and will self-assure payment for its obligations for closure, post closure, and corrective care costs. The estimated total current cost of closure and post closure care, \$9,179,906 has been calculated in 2017 dollars in accordance with current federal and state regulations and will be adjusted each year for changes resulting from inflation, deflation or technology.

C. CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not determinable, it is the opinion of the District Attorney, the City’s counsel, that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

D. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

From an accrual accounting perspective, the cost of postemployment 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 when it will be paid. The City recognizes the cost of postemployment 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.

Plan Descriptions. The City contributes to a single-employer defined benefit healthcare and life insurance plan, the City's Retiree Subsidy Plan (City's Plan), and an agent multiple-employer defined healthcare plan, State of Nevada Public Employees' Benefits Program (PEBP). Both plans provide medical, dental, vision, accidental death and dismemberment, and life insurance benefits to eligible retired City employees and beneficiaries.

Benefit provisions for the City's Plan are established pursuant to NRS 287.023 and amended through Board resolution and contracts between the City and the various bargaining units. The City explicitly subsidizes the healthcare premiums pursuant to the City's Plan and contracts negotiated with various bargaining units. The City currently contributes toward the cost of coverage as follows:

- Firefighters who retire under Nevada PERS after July 1, 2002, sheriff's department employees who retire under Nevada PERS after June 30, 2010, and Carson City Employee Association (CCEA – Classified Employees) who retire under Nevada PERS after July 1, 2013, at age 47 or older and with 20 or more years of service receive a percentage of the medical, dental, vision and life insurance premiums for themselves and their dependents. The City pays 90% of the retiree group health premium until age 65, then 50% of the retiree's Medicare supplement medical premium. The City pays 50% of dependent coverage until age 65, then 25% of the dependent's Medicare supplement medical premium.
- Unclassified Employees who retire under Nevada PERS after July 1, 2013, at age 47 or older and with 15 or more years of service receive a percentage of their medical, dental, vision and life insurance premiums for themselves and their dependents. If an employee has more than 15 years of service, the City pays 75% of the retiree group health premiums and 25% of their dependent's premium. Employees with over 20 years of service the City pays 90% of the retiree group health premiums and 50% of their dependent's premium. Once the retiree reaches age 65, the City pays 50% of the retiree's and 25% of their dependent's supplement medical premium.
- Employees that retired from the City prior to the above contract changes who had at least 10 years of service (including firefighters and sheriff's department retirees not yet eligible or not qualifying for the benefits above) received a subsidy of \$6 per month for each year of service toward the cost of their coverage. Retirees were allowed to elect to continue coverage for their spouse and other eligible dependents, however, had to do so entirely at their expense.

Under state law, retiree loss experience is pooled with active loss experience for the purposes of setting rates in the City's Plan. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB obligation for the City.

The City serves as a secondary carrier for retirees eligible for Medicare. Expenditures for post-employment healthcare and life insurance are recognized each month when premiums are paid. A summary of the premium rates for the City's Plan, as of July 1, 2016, are shown below:

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Retirees Without Medicare	HMO	POS (In Area)	PPO (Out of Area)
Retiree	\$ 568.93	\$ 629.62	\$ 867.26
Retiree & spouse/both without Medicare	1,123.69	1,248.11	1,735.35
Retiree & spouse 1 without Medicare	1,019.68	1,128.53	1,560.77
Retiree & children without Medicare	1,078.17	1,194.60	1,650.56
Retiree & family/both without Medicare	1,719.82	1,909.99	2,654.65
Retiree & family/1 without Medicare	1,256.54	1,377.30	1,877.00

Retirees With Medicare	HMO	POS (In Area)	PPO (Out of Area)
Retiree	\$ 435.95	\$ 476.72	\$ 644.04
Retiree & spouse/both with Medicare	877.60	965.16	1,322.29
Retiree & spouse 1 with Medicare	1,019.68	1,128.53	1,560.77
Retiree & children with Medicare	1,069.84	1,185.03	1,636.58
Retiree & family/both with Medicare	1,101.77	1,199.36	1,617.20
Retiree & family/1 with Medicare	1,256.54	1,377.30	1,877.00

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.

Benefit provisions for PEBP are established pursuant to NRS 287.023 and are subject to amendment 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 City's Plan for post-employment healthcare and life insurance benefits or to join PEBP offered by the State of Nevada. However, subsequent to November 29, 2008, retirees no longer have the option of joining PEBP, yet still retain the option to participate in the City's Plan. Local governments are required to pay the same portion of cost of coverage for those persons joining PEBP that the State of Nevada pays for those persons retired from state service who have continued to participate in the plan.

The City is required to provide a subsidy for their retirees that have elected to join PEBP. The subsidy is paid on the pay-as-you-go basis. Contribution requirements for plan members and the participating employers are assessed by the PEBP Board annually. The contributions required for PEBP subsidies depend on the date of retirement of prior years of PERS service for employees earned while working for the City. These subsidies are then allocated and billed to all applicable former employers of the retiree. The City's portion of the monthly subsidies ranged from \$0.73 to \$773.87 during the 2017 fiscal year.

Funding Policy and Annual OPEB Cost. The City funded the annual OPEB cost on a pay as you go basis for both plans; however as of July 1, 2015 the Board of Supervisors established the Carson City Other Post-Employment Benefits Trust Fund. The City intends to fund the Trust annually at a rate of approximately 1% of covered payroll, over normal costs. The net OPEB obligation attributable to governmental activities is liquidated primarily by the General Fund.

The City's actuarial valuation for the plans was prepared from employee and retiree data as of June 30, 2017. The City engaged the original actuary to incorporate the July 1, 2016 benefit changes into the fiscal year ended June 30, 2017 OPEB estimate. The number of participants as of June 30, 2017, the effective date of the OPEB valuation, is as follows:

	City Plan	PEBP Plan
Active employees	576	-
Retirees enrolled in City Plan	151	-
Retirees enrolled in PEBP	-	196

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligations (assets), by plan, for fiscal year 2016-2017 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
City Plan	6/30/15	\$ 4,436,073	\$ 749,055	16.89%	\$19,094,558
City Plan	6/30/16	\$ 4,797,397	\$ 1,641,533	34.22%	\$22,250,422
City Plan	6/30/17	\$ 4,964,076	\$ 1,276,308	25.71%	\$25,938,190
PEBP	6/30/15	\$ 449,893	\$ 425,328	94.54%	\$ (41,946)
PEBP	6/30/16	\$ 451,976	\$ 411,420	91.03%	\$ (1,390)
PEBP	6/30/17	\$ 485,997	\$ 417,968	86.00%	\$ 66,639
Totals	6/30/15	\$ 4,885,966	\$ 1,174,383	24.04%	\$19,052,612
Totals	6/30/16	\$ 5,249,373	\$ 2,052,953	39.11%	\$22,249,032
Totals	6/30/17	\$ 5,450,073	\$ 1,694,276	31.09%	\$26,004,829

The net OPEB obligation (asset) as of June 30, 2017, was calculated as follows:

	City Plan	PEBP Plan	Totals
Normal Cost (Current Service Cost)	\$ 2,705,495	\$ -	\$ 2,705,495
Amortization of unfunded actuarial accrued liability	2,208,066	485,957	2,694,023
Total Annual Required Contribution (ARC or Annual OPEB cost)	\$ 4,913,561	485,957	5,399,518
Interest on the beginning net OPEB obligation (asset)	995,522	(56)	995,466
ARC adjustment	(945,007)	96	(944,911)
Annual OPEB cost	4,964,076	485,997	5,450,073
Contributions made	(1,276,308)	(417,968)	(1,694,276)
Increase (decrease) in net OPEB obligation (asset)	3,687,768	68,029	3,755,797
Net OPEB obligation (asset), beginning of year	22,250,422	(1,390)	22,249,032
Net OPEB obligation (asset), end of year	\$ 25,938,190	\$ 66,639	\$ 26,004,829

Funded Status and Funding Progress. The funded status of the plans as of the latest actuarial valuation date of June 30, 2017, was as follows:

	City Plan	PEBP Plan	Totals
Accrued actuarial liability (a)	\$ 56,695,207	\$ 6,885,558	\$ 63,580,765
Actuarial value of plan assets (b)	750,518	-	750,518
Unfunded actuarial accrued Liability (a) - (b)	\$ 55,944,689	\$ 6,885,558	\$ 62,830,247
Funded ratio (b) / (a)	1.32%	0%	1.18%
Covered payroll (c)	\$ 36,664,557	N/A	N/A
Unfunded actuarial accrued liability as a percentage of covered payroll $[(a) - (b)] / (c)$	152.59%	N/A	N/A

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

	City Plan	PEBP Plan
Actuarial valuation date	6/30/17	6/30/17
Actuarial cost method	Entry age normal cost	Entry age normal cost
Amortization method	Level percentage of pay	Level dollar
Remaining amortization period	30 years, open	22 years, closed
Asset valuation method	N / A	N / A
Actuarial assumptions:		
Investment rate of return	4.47%	4.0%
Inflation rate	2.75%	2.75%
Projected salary increases	4.0%	4.0%
Healthcare inflation rate	Medical – 7.0% *	Medical – 7.0% *
* Medical – decreasing 0.5% each year until ultimate trend rate of 5% is reached.		

Carson City OPEB Trust Fund. Complete financial statements for the trust may be obtained at City of Carson City, Finance Department, 201 North Carson Street, Suite #3, Carson City, NV 89701.

E. DEFINED BENEFIT PENSION PLAN

Plan Description. Carson City contributes to the Public Employees’ Retirement System of the State of Nevada (PERS) and Judicial Retirement System of the State of Nevada (JRS). PERS and JRS administer cost-sharing, multiple-employer, defined benefit public employees’ retirement systems, PERS includes both Regular and Police/Fire members, and JRS includes only Justices of the peace and municipal judges. 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. JRS was established in 2001 by the Nevada Legislature (NRS 1A.160) and is governed by the Public Employees’ Retirement Board.

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 and July 1, 2015. 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 and JRS on or after January 1, 2010, there is a 2.5% multiplier, and for members entering on or after July 1, 2015, there is a 2.25% factor. 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.

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, at age 62 with 10 years of service, or any age with thirty years of service. Regular members entering PERS on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, or age 62 with ten years of service, at age 55 with thirty years of service, or at any age with thirty-three and a third 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, at age 60 with ten years of service, at age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation for PERS and JRS. However, a PERS 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.

PERS' and JRS' basic funding policies provide 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 and JRS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS and JRS 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, NRS 286.450 and NRS 1A.180(1).

The actuary 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 contribution requirement as a percentage of salary.

For the fiscal year ended June 30, 2016 and June 30, 2017 the Statutory Employer/employee matching rate was 14.50% for Regular and 20.75% for Police/Fire. The Employer-pay contributions (EPC) rate was 28% for Regular and 40.5% for Police/Fire. For the fiscal years ended June 30, 2016 and June 30, 2017 the Statutory Employer-pay contributions (EPC) rate was 15.25% for justices of the peace and other municipal judges.

The City's contributions were \$11,281,288 and \$11,099,260 for the years ended June 30, 2017 and 2016, respectively.

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, 2016:

Asset Class	PERS Target Allocation	PERS Long-Term Geometric Expected Real Rate of Return	JRS Target Allocation	JRS Long-Term Geometric Expected Real Rate of Return
Domestic Equity	42%	5.50%	49%	5.50%
International Equity	18%	5.75%	21%	5.75%
Domestic Fixed Income	30%	0.25%	30%	0.25%
Private Markets	10%	6.80%	0%	0.00%

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

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Net Pension Liability. At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's allocation percentage of the net pension liability was based on the City's total contributions due on wages paid during the measurement period. The City's proportion of the net pension liability is based on its combined employer and member contributions relative to the total combined employer and member contributions for all employers participating in PERS and JRS for the period ended June 30, 2016. At June 30, 2016, the City's proportion of PERS was 0.71147%, including Carson City Culture and Tourism Authority (A Component Unit of Carson City) and the Carson City Water Sub-Conservancy District (An Agency Fund of Carson City). Once these external entities were removed, Carson City's proportion is 0.70192%, which is a decrease of .01566 from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion of JRS was .35864%, which was an increase of 0.07483 from its proportion measured as of June 30, 2015.

Pension Liability Discount Rate Sensitivity. The following presents the net pension liability of the City as of June 30, 2016, 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%)
PERS Net Pension Liability	\$138,466,285	\$94,464,352	\$57,855,285
JRS Net Pension Liability	132,090	81,235	38,254

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the PERS and JRS Comprehensive Annual Financial Report, available on the PERS website, www.nvperson.org, or may be obtained from the Public Employees' Retirement System, 693 West Nye Lane, Carson City, Nevada 89703.

Actuarial Assumptions. The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 Justices: 3.0% to 8.0% depending on service Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other Assumptions	Same as those used in the June 30, 2016 funding actuarial valuation

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, 2016 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, 2016. 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, 2016, was projected to be available to

**CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2016.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2017, the City recognized pension expense of \$11,989,937 for PERS and \$20,721 for JRS. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PERS		JRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,325,157	\$ -	\$ 16,023
Changes in assumptions or other inputs	-	1,747,467	2,657	-
Net difference between projected and actual earnings on pension plan investments	8,781,055	-	16,040	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	598,059	-	13,562	-
City contributions subsequent to the measurement date	11,281,288	-	21,834	-
Total	\$ 20,660,402	\$ 8,072,624	\$ 54,093	\$ 16,023

\$11,303,122 was reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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, 2015 (the beginning of the measurement period ended June 30, 2016) is 6.48 years and JRS is 4.8 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:

Year ended June 30:	PERS	JRS
2018	(\$ 919,304)	\$ 3,644
2019	(919,304)	3,644
2020	2,922,019	3,644
2021	1,312,206	5,304
2022	(820,905)	-
Thereafter	(268,222)	-

Additional Information. Additional information is available on the PERS website at www.nvpers.org under Quick Links – Publications.

CARSON CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. TAX ABATEMENTS

Implementation of GASB Statement No. 77: As of July 1, 2016 the City adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The implementation of this standard requires governments to disclose certain arrangements related to the reduction in taxes that results from an agreement between one or more governmental entities and an individual or entity.

The City has entered into agreements in accordance with the provisions of the Nevada Revised Statutes (NRS) Chapter 279, the Redevelopment of Communities, in order to stimulate economic growth. The City currently has four agreements in place. Abatements are calculated on the Basic City-County Relief Tax and the Supplemental City-County Relief Tax (“sales taxes”) collected in Carson City for each business. The Southgate Big 5 agreement is for the expansion of an existing business, which provides that the business will not receive abatements on a certain base amount of sales tax, but the City will reimburse 50% of sales taxes paid as abatements, for a 15 year period, on any sales taxes paid beyond that base amount. The remaining agreements are for new businesses moving into Carson City, for which the City agreed to reimburse 50% of sales taxes paid as abatements on all sales for a 15 year period.

<u>Name</u>	<u>Base Amount</u>	<u>Percentage of Abatement</u>	<u>Calendar 2016 Abatement Paid</u>	<u>Expiration Date</u>
Southgate – Big 5	\$ 20,831	50%	\$ 4,193	10/21/2025
Southgate – Big Lots	-	50%	31,049	10/21/2025
Beall’s	-	50%	16,321	12/31/2029
Sportsman’s Warehouse	-	50%	97,696	12/31/2029
			<u>\$ 149,259</u>	

Beginning in Fiscal Year 2014 GMRI Olive Garden was granted a partial property tax abatement based on the provisions of NAC 701A.280, for a duration of 6 years and in an annual amount that equals 25% of the portion of the taxes imposed pursuant to NRS Chapter 361. This is a State of Nevada Energy Related Tax Incentive to encourage businesses to construct energy efficient buildings. Total Property taxes abated for fiscal year ended June 30, 2017 totaled \$2,113.

G. SUBSEQUENT EVENTS

On July 6, 2017, Carson City issued \$3,840,000 of General Obligation (Limited Tax) Medium Term Bond, Series 2017. The bonds are secured by the full faith and credit of the City, subject to Nevada Constitutional and statutory limitations on the aggregate amount of property taxes that may be levied by and within the City. The proceeds will be used for various capital projects and equipment needs of the City.

On November 7th, Carson City issued \$6,000,000 of General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2017B, through the State of Nevada Municipal Bond Bank. The bonds are secured by the full faith and credit of the City, subject to Nevada Constitutional and statutory limitations on the aggregate amount of property taxes that may be levied by and within the City, and are additionally secured by pledged sewer system revenues. The proceeds will be used in the rehabilitation of the Wastewater Reclamation Facility as well as various improvements to the wastewater system.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE

The following is a brief summary of certain provisions of the 2018A Sewer Bond Ordinance (the “2018A Bond Ordinance”) and is qualified in its entirety by the provisions of the 2018A Bond Ordinance itself.

Definitions

As used in the 2018A Bond Ordinance, the following terms shall, for all purposes, have the following meanings, except where the context by clear implication otherwise requires:

“1998 Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 1998.

“2010 Bonds” means the Carson City, Nevada General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010D (Tax-Exempt) together with the Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2010F (Taxable Direct Pay Build America Bonds).

“2012 Bonds” means Carson City, Nevada General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues) Series 2012B.

“2014 Bonds” means Carson City, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2014B together with the Carson City, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2014D.

“2015 Bonds” means the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2015A together with the Carson City, Nevada, General Obligation (Limited Tax) Sewer and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2015B.

“2017B Bonds” means the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2017B.

“BAB Credit” means the federal tax credit provided in Section 6431 of the Tax Code payable to the City with respect to bonds that are issued pursuant to Section 54AA of the Tax Code.

“Board” means the Board of Supervisors of the Carson City, in the State of Nevada, including any successor to the Board of Supervisors.

“Bond Fund” means, collectively, the two separate accounts designated as the “Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A, Interest Account” and the “Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A, Principal Account.”

“Bond Requirements” means the principal of, the interest on and any prior redemption premiums due in connection with the Bonds, any Superior Securities, or any Parity Securities, as appropriate, as such principal, interest and premiums become due at maturity or on a Redemption Date, or otherwise.

For the purposes of calculating the Bond Requirements for the purposes of issuing Superior Securities (including refunding securities) or Parity Securities (including refunding securities) or complying with the Rate Covenant set forth in Section 54 herein, in making any calculation of the Bond Requirements to be paid for a period after the date of such calculation on any bonds payable from the Gross Revenues with respect to which the City expects to receive a BAB Credit, “interest” for any Bond Year shall be treated as the amount of interest to be paid by the City on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to interest payments on those bonds in that Bond Year and required by the ordinance or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year, or to reimburse the City for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as of the date of such calculation, “interest” shall be the total amount of interest to be paid by the City on the bonds without a deduction for the credit to be paid by the United States under Section 6431 of the Tax Code. The Chief Financial Officer may certify in writing the expected amount and expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of computing the Bond Requirements and for purposes of any other computation for the issuance of additional Superior Securities (including refunding securities) or Parity Securities (including refunding securities).

“Bond Year” means the 12-month period commencing on July 1 of a calendar year and ending on June 30 of the following calendar year.

“Bonds” means the securities issued under the 2018A Bond Ordinance and designated as the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A.

“Certificate of the Chief Financial Officer” means the certificate executed by the Chief Financial Officer, or in his absence, the City Manager, dated on or before the date of delivery of the Bonds.

“Chief Financial Officer” means the City’s Finance Director, as the chief financial officer of the City.

“City Engineer” means the Public Works Director/Utilities Manager, or his or her successor in functions, if any.

“Commercial Bank” means a state or national bank or trust company which is a member of the Federal Deposit Insurance Corporation.

“Cost of the Project” means all or any part designated by the Board for the cost of the Project, or interest therein, which cost, at the option of the Board, except as limited by law, may include all or any part of the incidental costs relating to the Project, including, without limitation:

(a) Preliminary expenses advanced by the City from money available for use therefor, or advanced by the Federal Government, or from any other source, with the approval of the Board;

(b) The costs in the making of surveys, audits, preliminary plans, other plans, specifications, estimates of costs and other preliminaries;

(c) The costs of premiums on builders’ risk insurance and performance bonds, or a reasonably allocable share thereof;

(d) The costs of appraising, printing, estimates, advice, services of engineers, architects, accountants, financial consultants, attorneys at law, clerical help or other agents or employees;

(e) The costs of making, publishing, posting, mailing and otherwise giving any notice in connection with the Project, the filing or recordation of instruments, the taking of options, the issuance of the Bonds and any other securities relating to the Project, and bank fees and expenses;

(f) The costs of contingencies;

(g) The costs of the capitalization with the proceeds of the Bonds or other securities relating to the Project of any operation and maintenance expenses appertaining to the Project and of any interest on the Bonds or other securities relating to the Project for any period not exceeding the period estimated by the Board to effect the Project plus one year, of any discount on the Bonds or such other securities, and of any reserves for the payment of the principal of and interest on the Bonds or such other securities, of any replacement expenses, and of any other cost of the issuance of the Bonds or such other securities;

(h) The costs of amending any ordinance or other instrument authorizing the issuance of or otherwise appertaining to outstanding bonds or other securities of the City;

(i) The costs of funding any medium-term obligations, construction loans and other temporary loans of not exceeding ten years appertaining to the Project and of the incidental expenses incurred in connection with such loans;

(j) The costs of any properties, rights, easements or other interests in properties, or any licenses, privileges, agreements and franchises;

(k) The costs of demolishing, removing or relocating any buildings, structures or other facilities on land acquired for the Project, and of acquiring lands to which such buildings, structures or other facilities may be moved or relocated;

(l) The administrative expenses and issuance costs of the Bonds; and

(m) All other expenses necessary or desirable and appertaining to the Project, as estimated or otherwise ascertained by the Board including rebates to the United States under Section 148 of the Tax Code.

“Drainage System” means the City’s municipal flood control and drainage system, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, improvements, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

“Federal Government” means the United States, or any agency, instrumentality or corporation thereof.

“Federal Securities” means bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States.

“Fiscal Year” means the 12 months commencing on July 1 of any calendar year and ending on June 30 of the next succeeding calendar year; but if the Nevada Legislature changes the statutory fiscal year relating to the City, the Fiscal Year shall conform to such modified statutory fiscal year from the time of each such notification, if any.

“General Taxes” means general (ad valorem) taxes levied by the City against all taxable property within the boundaries of the City (unless otherwise qualified).

“Gross Revenues” means all income and revenues derived directly or indirectly by the City from the operation and use and otherwise pertaining to the Utility System or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Utility System, or otherwise, and includes all revenues received by the City from the Utility System, including, without limitation, all fees, rates, and other charges for the use of the Utility System, or for any service rendered by the City in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the

United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Utility System, except to the extent any such moneys shall be received as payments for the use of the Utility System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues to the extent lawfully available for the purposes of the Utility System.

"Net Revenues" means the Gross Revenues remaining after the deduction of Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the Utility System, including, without limitation:

(a) engineering, auditing, reporting, legal and other overhead expenses relating to the administration, operation and maintenance of the Utility System;

(b) fidelity bond and property and liability insurance premiums pertaining to the Utility System or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the Utility System;

(c) payments to pension, retirement, health and hospitalization funds, and other insurance and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance;

(d) any taxes, assessments, excise taxes or other charges which may be lawfully imposed upon the City, the Utility System, revenues therefrom or the City's income from or operations of any properties under its control and pertaining to the Utility System, or any privilege in connection with the Utility System or its operations;

(e) the reasonable charges of any Paying Agent or Registrar and any other depository bank pertaining to the Bonds or any other securities payable from Gross Revenues or otherwise pertaining to the Utility System;

(f) contractual services, professional services, salaries, other administrative expenses and costs of materials, supplies, repairs and labor pertaining to the Utility System or to the issuance of the Bonds, or any other securities relating to the Utility System, including, without limitation, the expenses and compensation of any receiver or other fiduciary under the Bond Act;

(g) the costs incurred by the Board in the collection and any refunds of all or any part of Gross Revenues;

(h) any costs of utility services furnished to the Utility System;

(i) any lawful refunds of any Gross Revenues; and

(j) all other administrative, general and commercial expenses pertaining to the Utility System;

but excluding:

- (i) any allowance for depreciation;
- (ii) any costs of extensions, enlargements, betterments and other improvements, or any combination thereof;
- (iii) any reserves for major capital replacements, other than normal repairs;
- (iv) any reserves for operation, maintenance or repair of the Utility System;
- (v) any allowance for the redemption of any Bond or other security or the payment of any interest thereon or any prior redemption premium due in connection therewith;
- (vi) any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the Utility System, or otherwise; and
- (vii) any other ground of legal liability not based on contract, including, without limitation, negligence in the operation of the Utility System.

“Outstanding” when used with reference to the Bonds or any other designated securities payable from Net Revenues and as of any particular date means all of the Bonds or other securities in any manner theretofore and thereupon being executed and delivered:

- (a) Except any Bond or other security canceled by the City, the Paying Agent or otherwise on the City’s behalf, at or before such date;
- (b) Except any Bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of maturity or to any Redemption Date shall have theretofore been deposited with a Trust Bank in escrow or in trust for that purpose, as provided in the 2018A Bond Ordinance; and
- (c) Except any Bond or other security in lieu of or in substitution for which another Bond or other security shall have been executed and delivered.

“Parity Securities” means securities of the City pertaining to the Utility System and payable from and secured by Net Revenues on a parity with the Bonds, including the 1998 Bonds, the 2010 Bonds, the 2012 Bonds, the 2014 Bonds, the 2015 Bonds, the 2017B Bonds and any securities hereafter issued on a parity with such bonds, to the extent issued in accordance with the terms, conditions and limitations of the 2018A Bond Ordinance.

“Paying Agent” means ZB, N.A. dba Zions Bank or any successor thereto as paying agent for the Bonds.

“Person” means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State or any other body corporate and politic other than the City), partnership, association or individual, and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

“Project” means the acquisition, construction, equipment and improvement of the facilities pertaining to the Utility System and the costs necessary therefor or incidental thereto.

“Purchaser” means the purchaser identified in the Certificate of the Chief Financial Officer.

“Registrar” means ZB, N.A. dba Zions Bank or any successor thereto as registrar for the Bonds.

“Sewer System” means the sanitary sewer system of the City, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with such system of the City, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, improvements, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

“Subordinate Securities” means securities of the City pertaining to the Utility System secured by and payable from Net Revenues inferior and junior to the pledge thereof to the Bonds and any Parity Securities, to the extent issued in accordance with the terms, conditions and limitations of the 2018A Bond Ordinance.

“Superior Securities” means securities of the City pertaining to the Utility System secured by and payable from Net Revenues superior and senior to the pledge thereof to the Bonds and any Parity Securities, to the extent issued in accordance with the terms, conditions and limitations of the 2018A Bond Ordinance.

“Tax Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds.

“Trust Bank” means a “commercial bank”, as defined in the 2018A Bond Ordinance, which bank is authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

“Utility System” means the Sewer System together with the Drainage System.

Bonds Equally Secured

The covenants and agreements set forth in the 2018A Bond Ordinance to be performed shall be for the equal benefit, protection and security of the owners of any and all of the Outstanding Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction except as otherwise expressly provided in or pursuant to the 2018A Bond Ordinance.

General Obligations

All of the Bonds, as to Bond Requirements, shall constitute general obligations of the City, which pledges its full faith and credit for their payment in the 2018A Bond Ordinance. So far as possible, Bond Requirements shall be paid from Net Revenues of the Utility System of which the Project is a part (the "Pledged Revenues"). "Pledged Revenues" may also include income derived from any additional revenues or certain proceeds of a tax on retail sales and the storage, use or other consumption of tangible personal property received by the City, if the Board elects to include the additional revenues or proceeds in "Pledged Revenues." The Bonds as to all Bond Requirements shall also be payable from the General Taxes (except to the extent that other moneys such as Net Revenues are available therefor) as provided in the 2018A Bond Ordinance.

Pledge Securing Bonds

Subject only to the provisions of the 2018A Bond Ordinance permitting the application thereof for or to the purposes and on the terms and conditions set forth herein, there are additionally pledged to secure the payment of the principal of and interest on the Bonds in accordance with its terms and the provisions of the 2018A Bond Ordinance, all of the Net Revenues of the Utility System. This pledge shall be valid and binding from and after the date of the delivery of the Bonds, and the Net Revenues as received by the City shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City (except as herein otherwise provided) irrespective of whether such parties have notice thereof. The lien of this pledge and the obligation to perform the contractual provisions made in the 2018A Bond Ordinance shall be subordinate and junior to the lien thereon of any Superior Securities hereafter issued in accordance with the terms of the 2018A Bond Ordinance but shall have priority over any and all other obligations and liabilities of the City payable from the Net Revenues, except as otherwise provided in the 2018A Bond Ordinance. The lien of this pledge for the Bonds is on a parity with the pledge of the Net Revenues for the Parity Securities. The Bonds and the Parity Securities shall be equitably and ratably secured by the pledge of Net Revenues under the 2018A Bond Ordinance, and the Bonds and the Parity Securities are not entitled to any priority one over the other in the application of Net Revenues.

Flow of Funds

So long as any of the Bonds shall be Outstanding as to any Bond Requirements, the entire Gross Pledged Revenues upon their receipt from time to time by the City shall be set aside and credited immediately to the “Carson City Utility System Gross Revenues Fund” (the “Revenue Fund”). So long as any of the Bonds shall be Outstanding as to any Bond Requirements each Fiscal Year, the Revenue Fund shall be administered and the moneys on deposit in each account shall be applied in the following order of priority:

First, from time to time there shall be transferred and credited to a separate account heretofore created in the treasury of the City and continued in the 2018A Bond Ordinance and designated as the “Carson City Utility System Operation and Maintenance Fund” (the “Operation and Maintenance Fund”) moneys sufficient to pay Operation and Maintenance Expenses, as budgeted and approved in accordance with law, as such expenses become due and payable, and thereupon they shall be promptly paid. Any surplus remaining in the Operation and Maintenance Fund at the end of the Fiscal Year of the City and not needed for Operation and Maintenance Expenses shall be transferred to the Revenue Fund.

Second, from any moneys thereafter remaining in the Revenue Fund, i.e., from the Net Revenues, there shall be transferred and credited to the funds and accounts established for the Superior Securities such transfers and credits as are required by the bond ordinances authorizing the Superior Securities prior to the application of Net Revenues for securities that are subordinate to the Superior Securities.

Third, from any moneys thereafter remaining in the Revenue Fund and concurrent with transfers to the bond funds created with respect to any Parity Securities, there shall be concurrently transferred and credited to the Bond Fund as follows:

(a) Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds, and monthly thereafter, commencing on each interest payment date, one-sixth of the amount necessary, together with any other moneys from time to time available therefor and on deposit therein from whatever source, to pay the next maturing installment of interest on the Outstanding Bonds.

(b) Monthly, commencing on the first day of the month immediately succeeding the delivery date of the Bonds, an amount in equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next installment of principal on the Outstanding Bonds coming due, and monthly thereafter, commencing on each principal payment date, one twelfth of the amount necessary to pay the next installments of principal of the Outstanding Bonds coming due.

The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds as such Bond Requirements become due.

Fourth, after the aforementioned deposits, there shall be transferred and credited to a special and separate account created in the 2018A Bond Ordinance and designated as the “Carson City, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A, Rebate Account” (the “Rebate Account”) and to the funds or accounts established for payment of amounts due the United States under Section 148(f) of the Tax Code in connection with any Outstanding Parity Securities in such amounts as are required to be deposited therein to meet the City’s obligations under the tax covenant in the 2018A Bond Ordinance and described below, in accordance with Section 148(f) of the Tax Code and the covenants contained in the respective bond ordinances authorizing the issuance of the Outstanding Parity Securities.

Fifth, any moneys thereafter remaining in the Revenue Fund may be used by the City for the payment of the principal of and interest on, and payments to the United States required by Section 148(f) of the Tax Code with respect to, Subordinate Securities; and may be used to create reasonable reserves for such securities.

Sixth, any moneys thereafter remaining in the Revenue Fund may be used by the City at the end of any Fiscal Year of the City, or whenever there shall have been credited all amounts required to be deposited in the respective foregoing separate accounts for all of that Fiscal Year, for any lawful purposes of the City, as the Board may from time to time determine, including, without limitation, for the creation of operation and maintenance reserves and capital reserves, the payment of capital costs and major maintenance costs of the Utility System, to pay any other obligations pertaining to the Utility System or otherwise.

If at any time the City shall for any reason fail to pay into the Bond Fund or the Rebate Account the full amount above stipulated from the Net Revenues, then an amount shall be paid first into the Bond Fund and second into the Rebate Account at such time equal to the difference between that paid from the Net Revenues and the full amount so stipulated. If Parity Securities are Outstanding, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve account or rebate fund therefor, then the moneys replaced in such funds shall be replaced on a pro rata basis related to the principal amount of the then Outstanding Bonds and the then Outstanding Parity Securities, as moneys become available therefor, first into all of such bond funds and reserve funds and second into all such rebate accounts.

Conditions to Issuance of Superior Securities

Nothing in the 2018A Bond Ordinance, except as expressly provided therein, shall prevent the issuance by the City of securities payable from Net Revenues and constituting a lien thereon superior and senior to the lien thereon of the Bonds and any Parity Securities, provided, however, that the following are express conditions to the authorization and issuance of any such Superior Securities:

- (a) The 1998 Bonds shall all no longer be Outstanding.

(b) At the time of adoption of the instrument authorizing the issuance of the additional Superior Securities, the City shall not be in default in the payment of the principal of or interest on the Bonds.

(c) So long as the Bonds are Outstanding, the Pledged Revenues (subject to adjustments as hereinafter provided) projected by the Chief Financial Officer, the City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Superior Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Superior Securities, including the Superior Securities proposed to be issued, will be sufficient to pay at least an amount equal to the combined maximum annual principal and interest requirements (to be paid during any one Bond Year in which the additional Superior Securities are issued and ending on the principal payment date of the year in which any then Outstanding Bonds last mature) of the Outstanding Bonds, any Outstanding Superior Securities and the Superior Securities proposed to be issued (excluding any reserves therefor).

(d) The Superior Securities proposed to be issued shall not be issued as general obligations but shall be issued solely as special obligations secured by and payable from the Net Revenues of the Utility System.

In any determination of whether or not additional Superior Securities may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in Operation and Maintenance Expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Superior Securities.

In any determination of whether or not additional Superior Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any Trust Bank, including the known minimum yield from any investment in Federal Securities.

Conditions to Issuance of Additional Parity Securities

Nothing in the 2018A Bond Ordinance, except as expressly provided therein, shall prevent the issuance by the City of additional securities payable from Net Revenues and constituting a lien thereon on a parity with, but not prior or superior to, the lien thereon of the Bonds, provided, however, that the following are express conditions to the authorization and issuance of any such Parity Securities:

(a) At the time of adoption of the instrument authorizing the issuance of the additional Parity Securities, the City shall not be in default in the payment of principal of or interest on the Bonds.

(b) So long as the Bonds are Outstanding, the Pledged Revenues (subject to adjustments as hereinafter provided) projected by the Chief Financial Officer, City Engineer or an independent accountant or consulting engineer to be derived in the later of (a) the Fiscal Year immediately following the Fiscal Year in which the facilities to be financed with the proceeds of the additional Parity Securities are projected to be completed or (b) the first Fiscal Year for which no interest has been capitalized for the payment of any Parity Securities, including the Parity Securities proposed to be issued, will be sufficient to pay at least an amount equal to the combined maximum annual principal and interest requirements (to be paid during any one Bond Year in which the additional Parity Securities are issued and ending on the principal payment date of the year in which any then Outstanding Bonds last mature) of the Outstanding Bonds, any Outstanding Superior Securities, any Outstanding Parity Securities and the Parity Securities proposed to be issued (excluding any reserves therefor).

In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in Operation and Maintenance Expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Parity Securities.

In any determination of whether or not additional Parity Securities may be issued in accordance with the foregoing earnings test, the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any Trust Bank, including the known minimum yield from any investment in Federal Securities.

Subordinate Securities

Nothing in the 2018A Bond Ordinance, subject to the limitations stated therein, shall prevent the City from issuing additional securities payable from Net Revenues and constituting a lien thereon subordinate to the lien thereon of the Bonds and any Parity Securities.

Refunding Securities

At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the City shall find it desirable to refund any Outstanding Bonds, any Outstanding Superior Securities, any Outstanding Parity Securities, or any Outstanding Subordinate Securities, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the City's option upon proper call, unless the owner or owners of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the Net Revenues is changed. Bonds or other securities issued to refund Outstanding Superior Securities may be issued as Superior Securities provided such bonds or other securities (A) are permitted to be issued under the terms described in "Conditions to Issuance of Superior Securities" above or (B) are permitted to be issued under the terms described in subsection (A) below and are issued solely as special obligations secured by and

payable from the Net Revenues of the Utility System. Except as provided in the immediately preceding sentence, and notwithstanding subsection (C) below or any other provision of the 2018A Bond Ordinance, no refunding bonds or other refunding securities may be issued as Superior Securities.

Any refunding bonds or other refunding securities payable from any Net Revenues shall be issued with such details as the Board may by ordinance provide, subject to the provisions of the 2018A Bond Ordinance but without any impairment of any contractual obligation imposed upon the City by any proceedings authorizing the issuance of any unrefunded portion of the Outstanding securities of any one or more issues (including, without limitation, the Bonds).

If only a part of the Outstanding Bonds and other Outstanding securities of any issue or issues payable from the Net Revenues is refunded, then such securities may not be refunded without the consent of the owner or owners of the unrefunded portion of such securities:

(a) Unless the refunding bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by the refunding securities and by the Outstanding securities not refunded on and before the last maturity date or last Redemption Date, if any, whichever is later, of the unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the Net Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

(b) Unless the lien on any Net Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

(c) Unless the refunding bonds or other refunding securities are issued in compliance with the provisions described under the headings “Conditions to Issuance of Superior Securities” or “Conditions to Issuance of Additional Parity Securities” above.

Rate Maintenance Covenant

The City shall charge against users or against purchasers of services or commodities pertaining to the Utility System such fees, rates and other charges as shall be sufficient to produce Gross Revenues annually which, together with any other funds available therefor, will be in each Fiscal Year of the City at least equal to the sum of:

(a) an amount equal to the annual Operation and Maintenance Expenses for such Fiscal Year;

(b) an amount equal to the Bond Requirements due in such Fiscal Year on the then Outstanding Bonds, any Outstanding Superior Securities, and any Outstanding Parity Securities; and

(c) any other amounts payable from the Net Revenues and pertaining to the Utility System, including, without limitation, debt service on any Outstanding Subordinate Securities

and any other securities pertaining to the Utility System, operation and maintenance reserves, capital reserves and prior deficiencies pertaining to any account relating to Gross Revenues.

The foregoing rate covenant is subject to compliance by the City with any legislation of the United States, the State or other governmental body, or any regulation or other action taken by the United States, the State or any agency or political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation or action limits or otherwise inhibits the amounts of fees, rates and other charges collectible by the City for the use of or otherwise pertaining to, and all services rendered by, the Utility System.

Subject to the foregoing, the City shall cause all fees, rates and other charges pertaining to the Utility System to be collected as soon as reasonable and shall provide methods of collection and penalties to the end that the Gross Revenues shall be adequate to meet the requirements of the 2018A Bond Ordinance.

Tax Covenant

In the 2018A Bond Ordinance, City covenants for the benefit of the registered owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the City or any facilities financed or refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except to the extent that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing corporate alternative minimum taxable income for taxable years of corporations beginning before January 1, 2018. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the City in fulfilling the above covenant under the Tax Code have been met.

Continuing Disclosure Undertaking

The City covenants for the benefit of the holders and the beneficial owners of the Bonds to comply with the provisions of the final Continuing Disclosure Certificate in substantially the form now on file with the City to be executed and delivered in connection with the delivery of the Bonds.

Amendment of the 2018A Bond Ordinance

The 2018A Bond Ordinance may be amended or supplemented by instruments adopted by the City, without receipt by the City of any additional consideration, but with the written consent of the insurer of the Bonds, if any, or the owners of a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of the amendatory or supplemental instrument, excluding Bonds which may then be held or owned for the account

of the City, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds if the refunding securities are not owned by the City. No such instrument shall permit:

- (a) A change in the maturity or in the terms of redemption of the principal or any installment thereof of any Outstanding Bond or any installment of interest thereon; or
- (b) A reduction in the principal amount of any Bond, the rate of interest thereon, without the consent of the owner of the Bond; or
- (c) A reduction of the principal amount or percentages or otherwise affecting the description of Bonds the consent of the owners of which is required for any modification or amendment; or
- (d) The establishment of priorities as between Bonds issued and Outstanding under the provisions of the 2018A Bond Ordinance; or
- (e) The modification of, or other action which materially and prejudicially affects the rights or privileges of the owners of less than all of the Bonds then Outstanding.

Whenever the City proposes to amend or modify the 2018A Bond Ordinance, it shall cause notice of the proposed amendment to be given within 30 days to the insurer of the Bonds, if any, or each registered owner of each registered Bond. The notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory instrument is on file in the office of the City Clerk for public inspection.

Whenever the insurer of the Bonds, if any, shall specifically consent to and approve the amendments, or at any time within one year from the date of such notice there shall be filed in the office of the City Clerk an instrument or instruments executed by the owners of a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendatory instrument described in the notice and shall specifically consent to and approve the adoption of the instrument; thereupon, but not otherwise, the Board may adopt the amendatory instrument and the instrument shall become effective.

If the insurer of the Bonds, if any, or the owners of a majority in aggregate principal amount of the Bonds Outstanding, at the time of the adoption of the amendatory instrument, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as provided in the 2018A Bond Ordinance, no owner of any Bond, whether or not the owner shall have consented thereto, shall have any right or interest to object to the adoption of the amendatory instrument or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin the City from taking any action pursuant to the provisions thereof. Any consent given by the insurer of the Bonds, if any, or the holder of a Bond pursuant to the provisions of the 2018A Bond Ordinance shall be irrevocable.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede& Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Carson City, Nevada (the “Issuer”) in connection with the issuance of the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A, in the aggregate principal amount of \$_____ (the “Bonds”). The Bonds are being issued pursuant to an ordinance adopted by the Board of Supervisors of the Issuer on March 1, 2018 (the “Ordinance”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

a. The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer's fiscal year of each year, commencing nine (9) months following the end of the Issuer's fiscal year ending June 30, 2018, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

b. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall file or cause to be filed with the MSRB a notice in substantially the form attached as Exhibit "A."

c. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the Issuer, send written notice to the Issuer at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

a. A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

b. An update of the type of information identified in Exhibit "B" hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, *if material*;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of bondholders, *if material*;
- h. Bond calls, *if material*, and tender offers;
- i. Defeasances;
- j. Release, substitution or sale of property securing repayment of the Bonds, *if material*;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the obligated person;*
- m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to

* For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Format; identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Ordinance, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATED: _____, 2018.

CARSON CITY, NEVADA

By: _____
Chief Financial Officer

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Carson City, Nevada

Name of Bond Issue: General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A

CUSIP:

Date of Issuance: _____, 2018

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Ordinance adopted on March 1, 2018, and the Continuing Disclosure Certificate executed on _____, 2018, by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____, _____

CARSON CITY, NEVADA

By: _____
Its: _____

EXHIBIT “B”

INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED

See page iv of this Official Statement

APPENDIX E

FORM OF APPROVING OPINION OF BOND COUNSEL

[Closing Date]

Carson City, Nevada
201 N. Carson Street
Carson City, Nevada 89701

\$ _____
Carson City, Nevada
General Obligation (Limited Tax) Sewer Bonds
(Additionally Secured by Pledged Revenues)
Series 2018A

Ladies and Gentlemen:

We have acted as bond counsel to Carson City, Nevada (the “City”), in connection with the issuance of its General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A, in the aggregate principal amount of \$ _____ (the “Bonds”) pursuant to an authorizing ordinance adopted and approved by the City’s Board of Supervisors on March 1, 2018 (the “Bond Ordinance”). In such capacity, we have examined the City’s certified proceedings and such other documents and such law of the State of Nevada (the “State”) and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Ordinance.

Regarding questions of fact material to our opinions, we have relied upon the City’s certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding limited tax general obligations of the City.
2. All of the taxable property in the City is subject to the levy of annual general (ad valorem) taxes to pay the Bonds, subject to the limitations imposed by the Constitution and laws of the State.
3. As provided in the Bond Ordinance and in accordance with the provisions of NRS 361.463, taxes levied for the payment of the bonded indebtedness (including the Bonds) of all overlapping units within the boundaries of the City (i.e., the State, the City, and any other political subdivision in the City) and for the payment of interest on such indebtedness enjoy a

priority over taxes levied by each such unit (including, without limitation, the State and the City) for all other purposes (subject to any exception implied by law in the exercise of the police power) where reduction is necessary in order to comply with NRS 361.453.

4. The Bonds are additionally secured by and payable from the Pledged Revenues. The Bond Ordinance creates a valid lien on the Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any parity bonds or parity securities outstanding or hereafter issued, subject to and after any superior liens upon such Pledged Revenues of any superior bonds or superior securities hereafter issued. The Bond Ordinance also creates a valid lien on the Bond Fund. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Pledged Revenues or on the Bond Fund created by the Bond Ordinance.

5. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that for taxable years of corporations beginning before January 1, 2018, such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and the continued accuracy of the representations contained in the City's certified proceedings and in certain other documents and certain other certifications furnished to us.

6. Under the laws of the State in effect as of the date hereof, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the City pursuant to the Bonds and the Bond Ordinance may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In this opinion letter rendered in our capacity as bond counsel, we are opining only upon those matters set forth herein. We are not passing upon the accuracy, adequacy or completeness of the Official Statement or any other statements made in connection with any offer or sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is rendered as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the City. It is intended only to provide prospective investors with general information regarding the City. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The City makes no representation as to the accuracy or completeness of data obtained from parties other than the City.

The City is the capital city and seat of State and local governments, and is situated in northwestern Nevada 30 miles south of Reno and 14 miles east of Lake Tahoe. Carson City is a combined City and County government entity formed in 1969. The smallest of the state's counties, the City encompasses 147 square miles but serves as a retail and commercial center for a larger area.

Population and Age Distribution

Population. The table below sets forth the population growth of the City and the State since 1970.

Calendar Year	<u>Population</u>			
	Carson City	Percent Change	State of Nevada	Percent Change
1970	15,468	--	488,738	--
1980	32,022	107.0%	800,508	63.8%
1990	40,443	26.3	1,201,833	50.1
2000	52,457	29.7	1,998,257	66.3
2010	55,274	5.4	2,700,551	35.1
2011	56,066	1.4	2,721,794	0.8
2012	55,441	(1.1)	2,750,217	1.0
2013	54,668	(1.4)	2,800,967	1.8
2014	53,969	(1.3)	2,843,301	1.5
2015	54,273	0.6	2,897,584	1.9
2016	55,182	1.7	2,953,375	1.9
2017	55,438	0.5	2,986,656	1.1

Sources: U.S. Bureau of the Census (1970-2010 as of April 1); and Nevada State Demographer, Nevada Department of Taxation (2011-2017 estimates as of July 1).

Age Distribution. The following table sets forth a comparative age distribution profile for the City, the State and the United States as of January 1, 2018.

Age Distribution

Age	Percent of Population		
	Carson City	State of Nevada	United States
0-17	20.2%	22.7%	22.6%
18-24	8.3	8.7	9.7
25-34	12.2	14.0	13.4
35-44	11.0	13.4	12.6
45-54	12.7	13.2	12.9
55-64	14.6	12.4	12.9
65-74	12.4	9.7	9.4
75 and Older	8.6	5.9	6.5

Source: Claritas. © 2018 Environics Analytics (EA).

Income

The following two tables reflect Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income⁽¹⁾

Calendar Year	Carson City	State of Nevada	United States
2014	\$46,152	\$42,480	\$43,715
2015	46,548	44,110	45,448
2016	44,237	46,230	46,738
2017	46,293	47,914	48,043
2018	45,428	50,009	50,620

(1) The difference between consecutive years is not an estimate of change from one year to the next; combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Sources: © The Nielsen Company, *SiteReports* (2014-2017); and Claritas, © 2018 Environics Analytics (EA).

Percent of Households by Effective Buying Income Groups – 2018 Estimates

Effective Buying Income Group	Carson City Households	State of Nevada Households	United States Households
Under \$24,999	24.9%	21.1%	22.3%
\$25,000 - \$49,999	29.6	28.9	27.1
\$50,000 - \$74,999	20.8	21.3	19.6
\$75,000 - \$99,999	12.8	14.1	14.3
\$100,000 - \$124,999	5.8	6.3	6.0
\$125,000 - \$149,999	2.4	3.1	3.7
\$150,000 or more	3.7	5.2	7.0

Source: Claritas. © 2018 Environics Analytics (EA).

The following table sets forth the annual per capita personal income levels for the residents of the City, the State and the nation.

Per Capita Personal Income⁽¹⁾

Calendar Year	Carson City	State of Nevada	United States
2012	\$37,659	\$39,211	\$44,282
2013	39,016	38,939	44,493
2014	39,856	40,718	46,494
2015	43,420	43,118	48,451
2016	42,955	43,567	49,246

(1) County figures posted November 2017; state and national figures posted September 2017. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The average annual labor force summary for the City as prepared by the State’s Department of Employment, Training and Rehabilitation is as follows:

Average Annual Labor Force Summary

Carson City MSA, Nevada
(Estimates in Thousands)

Calendar Year	2013	2014	2015	2016	2017
TOTAL LABOR FORCE	25.4	25.0	24.9	24.8	24.8
Unemployment	2.6	2.2	1.8	1.5	1.2
Unemployment Rate ⁽¹⁾	10.4%	8.7%	7.93%	6.1%	5.0%
Total Employment ⁽²⁾	22.8	22.8	23.1	23.3	23.6

(1) The annual average U.S. unemployment rates for the years 2013 through 2017 are 7.4%, 6.2%, 5.3%, 4.9%, and 4.4%, respectively.

(2) Adjusted by census relationships to reflect number of persons by place of residence.

Sources: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation; and U.S. Bureau of Labor, Bureau of Labor Statistics.

The following table indicates the number of persons employed, by type of employment, in non-agricultural industrial employment in the Carson City MSA.

Establishment Based Industrial Employment

Carson City MSA, Nevada
(Estimates in Thousands)

Calendar Year	2013	2014	2015	2016	2017 ⁽¹⁾
Construction	0.8	1.0	1.0	1.1	1.4
Manufacturing	2.6	2.7	2.6	2.5	2.6
Trade, Transportation & Utilities	3.7	3.9	4.0	4.0	4.1
Information	0.2	0.2	0.2	0.2	0.3
Financial Activities	1.0	1.0	1.1	1.2	1.1
Professional and Business Services	2.0	2.0	1.9	1.9	2.0
Education and Health Services	3.8	3.8	3.8	4.2	4.2
Leisure and Hospitality	3.3	3.3	3.5	3.5	3.5
Other Services	0.6	0.6	0.6	0.6	0.7
Government	<u>9.3</u>	<u>9.2</u>	<u>9.3</u>	<u>9.3</u>	<u>9.6</u>
TOTAL ALL INDUSTRIES ⁽²⁾	<u>27.5</u>	<u>27.7</u>	<u>28.1</u>	<u>28.6</u>	<u>29.5</u>

(1) Averaged figures through June 30, 2017.

(2) Totals may not add due to rounding. All numbers are subject to periodic revision.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following two tables are based on unemployment insurance tax account numbers and are an estimate based on reported information. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the City.

Carson City's Ten Largest Employers
2nd Quarter 2017

Employer	Employment Range	Industry
Carson Tahoe Hospital	1,000 - 1,499	Hospital
Carson City School District	1,000 - 1,499	Public education
Nevada Dept. of Transportation	700 - 799	State government
City of Carson City	700 - 799	Local government
Western Nevada Community College	500 - 599	Junior college
Briggs Electric Inc.	400 - 499	Nonresidential electrical contractors
Nevada Legislative Counsel Bureau	400 - 499	State government
Nevada Department of Corrections	400 - 499	State government
Casino Fandango	300 - 399	Casino
Click Bond Inc.	300 - 399	Warehouse - bolts/nuts/screws/rivets

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table lists the firm employment size breakdown for the City.

Size Class of Industries⁽¹⁾
Carson City, Nevada
(Non-Government Worksites)

Calendar Year	2 nd Qtr 2017	2 nd Qtr 2016	Percent Change 2017/2016	Employment Totals 2 nd Qtr 2017
TOTAL NUMBER OF WORKSITES	1,863	1,928	(3.4)%	20,420
Less Than 10 Employees	1,393	1,478	(5.8)	4,014
10-19 Employees	234	226	3.5	3,083
20-49 Employees	168	158	6.3	4,883
50-99 Employees	45	44	2.3	3,107
100-249 Employees	18	18	0.0	2,573
250-499 Employees	4	3	33.3	1,436
500-999 Employees	0	0	0.0	0
1,000+ Employees	1	1	0.0	1,324

(1) Subject to revisions.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Retail Sales

The following table presents a record of taxable sales in the City and the State. The City serves as a retail and commercial center for a larger area including portions of adjoining Lyon, Churchill, Mineral and Douglas Counties and Bishop, California, to the southwest.

Taxable Sales⁽¹⁾

Fiscal Year ⁽²⁾	City Total	Percent Change	State Total	Percent Change
2013	\$ 779,297,546	--	\$45,203,408,413	--
2014	804,368,288	3.2%	47,440,345,167	4.9%
2015	892,529,769	11.0	50,347,535,591	6.1
2016	961,716,995	7.8	52,788,295,421	4.8
2017	1,055,090,538	9.7	56,547,741,530	7.1
July 16 – Dec 16	\$525,859,010	--	\$28,171,724,178	--
July 17 – Dec 17	587,042,474	11.6%	29,371,428,242	4.3%

(1) Subject to revision.

(2) Fiscal year runs from July 1 to the following June 30.

Source: State of Nevada - Department of Taxation.

Construction

Construction valuation is a value placed on a project in order to determine permit and plans check fees. Construction valuation has no relationship to assessed valuation. Set forth in the following table is summary of the number and valuation of building permits issued in the City within the years indicated.

Building Permit Issuance in Carson City, Nevada

Calendar Year	New Single Family		New Multiple Family		New Commercial		All Permits ⁽¹⁾	
	Permits	Valuation	Units	Valuation	Permits	Valuation	Permits	Valuation
2012	11	\$ 3,437,667	40	\$ 3,762,347	1	\$ 547,733	158	\$27,482,451
2013	37	10,845,347	4	640,271	4	4,172,636	101	27,579,827
2014	35	11,342,942	2	335,975	4	2,408,160	233	27,583,427
2015	40	10,888,681	4	360,259	5	4,547,856	223	38,166,924
2016	86	25,893,738	111	12,617,761	15	24,281,688	322	99,557,800
2017 ⁽²⁾	100	27,758,779	20	2,545,672	10	5,854,319	284	45,335,990

(1) In addition, includes publicly owned; and additions, alterations and repairs. Does not include miscellaneous permits.

(2) As of October 31, 2017.

Source: Carson City Building Division.

Gaming

General. The economy of the State is heavily dependent upon a tourist industry based on legalized casino gambling and related forms of entertainment. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State. The following table

sets forth a history of the gross taxable gaming revenues and total gaming taxes collected in the Carson Valley Area and the State.

Gross Taxable Gaming Revenue and Total Gaming Taxes ⁽¹⁾
Carson Valley Area, Nevada

Fiscal Year Ended	Gross Taxable Gaming Revenue ⁽²⁾		% Change Carson Valley	State Gaming Collection ⁽³⁾		% Change Carson Valley
	State Total	Carson Valley		State Total	Carson Valley	
<u>June 30</u>						
2013	\$10,208,528,371	\$ 97,620,300	--	\$892,106,457	\$8,024,389	--
2014	10,208,211,093	96,528,558	(1.12)%	912,371,316	7,995,688	(0.36)%
2015	10,511,527,575	99,745,421	3.33	909,857,085	8,359,348	4.55
2016	10,612,521,986	99,788,724	0.04	876,040,147	8,161,427	(2.37)
2017	10,964,843,874	100,798,877	1.01	874,777,727	8,232,548	0.87
Jul 16 – Dec 16	\$5,304,014,332	\$51,400,446	--	\$409,818,249	\$3,539,528	--
Jul 17 – Dec 17	5,477,261,179	54,981,281	6.97%	402,228,268	3,823,824	8.03%

(1) The figures shown are subject to adjustments due to amended tax filings, fines and penalties.

(2) The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).

(3) Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada - Gaming Control Board.

Gaming Competition. Different forms of legalized gaming have been authorized by many states across the United States, including tribal gaming. The different forms of gaming include casino gaming, riverboat gambling, internet gaming and lotteries. Other states may authorize gaming in the future in one form or another. Historically, the availability of these forms of gaming in other states has not had any significant impact on gaming in the State. Nonetheless, the City cannot predict the future impact of legalization of legalized gaming in other states on the economy of the area.

Tourism

Tourism is an important segment of the City's economy. Attractions include recreational and historical features of the area. Carson City is located in a protected valley surrounded on all sides by mountains, including the Sierra Nevada Mountains which provide downhill and cross-country skiing, as well as hiking and cycling trails. Two major winter ski areas, Heavenly and Mt. Rose at Lake Tahoe, are within 35 minutes of the City's downtown. Two additional Lake Tahoe ski resorts (Kirkwood and Diamond Peak) are within an hour from the City. The City also offers nine world-class golf courses and a dozen casinos. Convention facilities and meeting spaces are available. One of the West's largest historic home districts is located in the City with the attractions of the State Capitol, Governor's Mansion and the Nevada State Museum, which was once a United States Mint Building. Virginia City, located 20 minutes west of the City, offers an early historic Nevada mining town to explore and an opportunity to ride the historic Virginia & Truckee Railroad.

Transportation

U.S. Highways 395 and 50 connect the City north to the City of Reno and west to the Lake Tahoe recreational area. The City's strategic location at the intersection of two major highway corridors provides convenient access to major markets throughout the West. Over 25 local, regional and national carriers provide next day freight service to 80 percent of the eleven states in the western region. The last leg of Interstate 580 Carson City Freeway opened to traffic in August 2017, and will help relieve downtown traffic and provide better freeway access to Reno and Tahoe. Previously, there was no interstate connecting to the capital city. Carson City Airport is located three miles northeast of downtown Carson City and is a public facility serving the general aviation needs of the area, including business, pleasure, and legislative sessions. Hangar space and other services are available. International and interstate commercial passenger services are available at the Reno-Tahoe International Airport located approximately 30 to 40 minutes from the City.

RTC Intercity, operated by the Washoe Regional Transportation Commission, runs an express commuter bus service between downtown Reno and downtown Carson City. Likewise, the South Tahoe Area Transit Authority operates the Spooner Express, an express bus service between South Lake Tahoe and downtown Carson City. Both the Union Pacific and Amtrak rail services are available in Reno/Sparks metropolitan center.

Development Activity

The Northern Nevada Development Authority serves to promote economic development activity in the Sierra Region which includes Carson City, Douglas, Lyon and Storey counties.

Complementing the area's emphasis on economic diversification are the numerous business advantages unique to the State. Competitive wage rates, low workers' compensation costs, an expanding labor force, centralized location and attractive transportation costs to other prominent western markets, and the State's incentive programs combine to give business and industry an attractive incentive to move to, relocate or expand in the Sierra Region of Nevada.

APPENDIX G

OFFICIAL NOTICE OF BOND SALE

\$4,875,000*

**CARSON CITY, NEVADA
GENERAL OBLIGATION (LIMITED TAX) SEWER BONDS
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
SERIES 2018A**

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Supervisors of Carson City, Nevada (the “Board,” the “City,” and the “State,” respectively), on

TUESDAY, MARCH 13, 2018*

at the hour of 8:30 a.m.*, Pacific Time, in the office of the

**CHIEF FINANCIAL OFFICER
201 N. CARSON STREET
SUITE 3
CARSON CITY, NEVADA**

will publicly open and receive bids electronically via PARITY, a division of i-Deal LLC (“PARITY”) (no bids will be received by mail) for the purchase of the bonds of the City, particularly described below. Bids must be submitted electronically via PARITY, and must be received on or before 8:30 a.m., Pacific Time, on such day of sale, or at such other time, date or place as designated via PARITY before the date of sale.

BOND PROVISIONS

THE BONDS: The bonds are designated as the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A in the aggregate principal amount of \$4,875,000* (the “Bonds”). The Bonds will be dated as of the date of delivery, will be issued in fully registered form, and are initially to be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, as securities depository for the Bonds (“DTC”). The Bonds will be issued by means of a book entry system with no physical distribution of bond certificates to the public (see “BOOK ENTRY/TRANSFER AND EXCHANGE” below). The Bonds will be registrable in book entry form in denominations of \$5,000 and integral multiples thereof.

MATURITIES: The Bonds will mature on the dates and the principal amounts, subject to adjustment as provided below in “ADJUSTMENT OF MATURITIES”, provided in the maturity schedule set forth in the Preliminary Official Statement dated March 2, 2018 relating to the Bonds (the “Preliminary Official Statement”) or as amended in the maturity

* Preliminary; subject to change.

schedule available from JNA Consulting Group, LLC, the City's Financial Advisor, and published on PARITY prior to the bid opening for the Bonds (the "Maturity Schedule"), subject to adjustment as provided below in "ADJUSTMENT OF MATURITIES."

ADJUSTMENT OF MATURITIES: The aggregate principal amount and the principal amount of each maturity of the Bonds (before inclusion into a Term Bond, if any) are subject to adjustment by the City, after the determination of the best bid. Changes to be made will be communicated to the successful bidder at the time of award of the Bonds to the successful bidder or bidders. Such changes will not reduce or increase the aggregate principal amount of the Bonds (or each maturity) by more than ten percent (10%) or \$100,000, which is greater. The price bid (i.e., par plus the premium bid or less the discount, if any) by a successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made within these limits. The price bid will be changed so that the percentage net compensation to the successful bidder (*i.e.*, the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown in the Maturity Schedule.

To facilitate any adjustment in the principal amounts and price bid, the successful bidder or bidders are required to indicate by electronic mail to the Financial Advisor at john@jnaconsultinggroup.com no later than one-half hour after the bid opening, the amount of any original issue discount or premium on each maturity of the Bonds, the amount received from the sale of the Bonds to the public that will be retained by such successful bidder as its compensation, and in the case of a bid submitted with bond insurance, the cost of the insurance premium. A bidder who intends to insure the Bonds shall also state, in that electronic transmission, whether the amount of the insurance premium will change as a result of changes in the principal amount of the Bonds or the amount of principal maturing in any year, and the method used to calculate any such change in the insurance premium.

PRIOR REDEMPTION: The Bonds or portions thereof in authorized denominations, maturing on and after November 1, 2028, will be subject to redemption prior to their respective maturities, without premium, at the option of the City, on and after November 1, 2027, in whole or in part at any time from such maturities as are selected by the City, and if less than all the Bonds of a maturity are to be redeemed, by lot within a maturity, at a price equal to the principal amount of each such Bond or portion thereof to be so redeemed, plus accrued interest thereon to the redemption date.

MANDATORY SINKING FUND REDEMPTION: A bidder may request that one or more of the Bonds maturing on and after November 1, 2028, be included in one or more term Bonds ("Term Bonds"). Amounts included in a single Term Bond must consist of consecutive maturities of the Bonds, must bear the same rate of interest and must include the entire principal amount between a serial maturity and a mandatory sinking fund redemption.

Any such Term Bond will be subject to mandatory sinking fund redemption in installments in the same amounts and on the same dates as the Bonds would have matured if they were not included in a Term Bond. The Bonds redeemed pursuant to the mandatory sinking fund redemption provisions will be redeemed at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date in the manner and as otherwise provided in the Bond Ordinance (as defined below). Any election to designate Bonds as being included in a Term Bond must be made electronically (see “BID PROPOSALS” below).

INTEREST RATES AND LIMITATIONS: The following interest rate limitations are applicable to the Bonds:

A. Interest on the Bonds will be payable on May 1 and November 1 of each year, commencing on November 1, 2018.

B. The interest rate specified on any Bond and the True Interest Cost (see “BASIS OF AWARD” below) of the Bonds may not exceed by more than 3% the “Index of Twenty Bonds” which is most recently published in The Bond Buyer before the bids are received.

C. Each interest rate specified must be stated in a multiple of 1/8th or 1/20th of 1% per annum.

D. Each Bond as initially issued will bear interest from its date to its stated maturity date at the interest rate stated in the bid. A zero rate of interest may not be named.

E. Only one interest rate can be stated on any maturity of the Bonds, i.e., all Bonds with the same maturity date must bear the same rate of interest.

It is permissible to bid different interest rates for the Bonds, but only as stated in the bid and subject to the above limitations. If any Bond is not paid upon presentation at or after maturity, it will draw interest at the same rate until principal is paid in full.

PREMIUM REQUIRED: A bidder must offer to purchase the Bonds at a minimum of par plus a premium of 3.00% of the aggregate principal amount of the Bonds. A discount may not be bid.

PAYMENT: The principal of and any prior redemption premiums due in connection with the Bonds shall be payable at the corporate trust office of or such other office as may be designated by ZB, N.A. dba Zions Bank, as Paying Agent for the Bonds, to the registered owner thereof (i.e., Cede & Co.) as shown on the registration records kept at the corporate trust office of or such other office as may be designated by ZB, N.A. dba Zions Bank, as Registrar, upon maturity thereof or call therefor, upon presentation and surrender of such Bond at such Paying Agent. Payment of interest on any Bond shall be made to the registered owner thereof (i.e., Cede & Co.) by check mailed by the Paying Agent, on each interest payment date (or if such date is not a business day, on the next succeeding business date), to the registered owner

thereof at the address as it appears on the registration records of the Registrar as of the close of business on the 15th day of the calendar month next preceding each interest payment date (other than a special interest payment date hereafter fixed for payment of defaulted interest) (the “Regular Record Date”). Alternative arrangements for the payment of interest may be made upon agreement between the Paying Agent and any registered owner. All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

BOND INSURANCE, RATING LETTERS: The Bonds may be insured at the bidders’ option and expense. Regardless of whether any of the Bonds are insured, the City will pay the rating fees for Moody’s Investors Service and Standard and Poor’s Rating Services.

BOOK ENTRY/TRANSFER AND EXCHANGE: The Bonds will be issued as fully registered book entry bonds, in the denomination of \$5,000 or any integral multiple thereof. The Bonds will be issued in registered form and bond certificates for each maturity of each series of Bonds will be issued to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in its custody, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. Principal of and interest on the Bonds will be payable by the Paying Agent by wire transfer or in same day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the City nor the Paying Agent will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

ENABLING ACTS AND PURPOSE OF THE BONDS: The City is operating pursuant to Chapter 213, Statutes of Nevada, 1969, as amended (the “Charter”). The Bonds are authorized to be issued pursuant to the Charter; pursuant to Nevada Revised Statutes (“NRS”) 350.500 through 350.720, designated in NRS 350.500 thereof as the Local Government Securities Law (the “Bond Act”); pursuant to NRS 244A.011 through 244A.065, inclusive; and pursuant to NRS 350.020(3). The Board will elect to issue the Bonds in accordance with the provisions of Chapter 348 of NRS. The Bonds are to be issued to defray wholly or in part of the cost of acquiring, constructing, improving and equipping facilities pertaining to the Utility System (as defined below).

SECURITY AND PAYMENT: The Bonds, in the opinion of Sherman & Howard L.L.C., (“Bond Counsel”), will be direct general obligations of the City, payable as to principal, interest and any redemption premiums on the Bonds (the “Bond Requirements”) from annual general (ad valorem) taxes (“General Taxes”) levied against all taxable property within the City except to the extent other revenues of the City are legally available for the purpose of making such payment. General Taxes levied against all taxable property within the City to pay the Bond Requirements of the Bonds are subject to the limitations imposed by the statutes and

Constitution of the State (see “CONSTITUTIONAL TAX LIMITATION,” and “STATUTORY TAX LIMITATION” below). The Bonds will be a debt of the City, and the Board shall pledge the full faith and credit of the City for their payment.

ADDITIONAL SECURITY FOR THE BONDS: Payment of the principal of and interest on the Bonds is additionally secured by a pledge of the net revenues (“Net Revenues”) derived by the City from the operation and use of, and otherwise pertaining to, the sanitary sewer system and drainage system of the City of which the Project (as defined in the Bond Ordinance) is a part, consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City, through purchase, construction or otherwise, and used in connection with such systems of the City and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the City, including, without limitation, improvements, machinery, apparatus, structures, buildings, and related or appurtenant furniture, fixtures and other equipment, or any combination thereof (the “Utility System”), whether resulting from extensions, enlargements, repairs, betterments or other improvements to the Utility System, or otherwise, but excluding (1) moneys raised for capital improvements, and (2) grants, appropriations or gifts for limited uses, and after provision is made for the payment of all necessary and reasonable operation and maintenance expenses of the Utility System, which Net Revenues are so pledged as more specifically provided in the Bond Ordinance.

BOND LIENS ON NET REVENUES: The Bonds will be equitably and ratably secured by such pledge of the Net Revenues, and such pledge constitutes an irrevocable lien (but not necessarily an exclusive lien) upon the Net Revenues on a parity with the lien thereon of the outstanding Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2017B; Carson City, Nevada, General Obligation (Limited Tax) Sewer and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2015B; Carson City, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2015A; Carson City, Nevada, General Obligation (Limited Tax) Sewer Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2014D; Carson City, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 2014B; Carson City, Nevada General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues) Series 2012B; Carson City, Nevada General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2010F (Taxable Direct Pay Build America Bonds); Carson City, Nevada General Obligation (Limited Tax) Sewer Improvement and Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2010D (Tax-Exempt); Carson City, Nevada, General Obligation (Limited Tax) Sewer Bond (Additionally Secured by Pledged Revenues), Series 1998 and any Parity Securities (as defined in the Bond Ordinance) hereafter issued and subordinate and junior to the lien thereon of any Superior Securities (as defined in the Ordinance) hereafter issued.

ADDITIONAL SECURITIES PAYABLE OR SECURED BY NET REVENUES: Additional securities may be issued and made payable from the Net Revenues having a lien thereon superior to, on a parity with, or subordinate to such pledge, in each case

subject to the conditions of and in accordance with the provisions of the Bond Ordinance. See “Appendix B - Summary of Certain Provisions of the Bond Ordinance” in the Preliminary Official Statement.

ADDITIONAL BONDS: The City reserves the privilege of issuing additional general obligation bonds hereafter authorized at any time or from time to time for any lawful purpose, as permitted by law.

BOND ORDINANCE: The 2018A Sewer Bond Ordinance (the “Bond Ordinance”) adopted on March 1, 2018, set forth, among other matters, the form, terms and conditions of the Bonds, the manner and terms of their issuance, the manner of their execution, the method of their payment, the security therefor, and other details concerning the Bonds, and the City, including, without limitation, covenants and agreements in connection therewith. Copies of the Bond Ordinance are on file with the City Clerk and are available for public inspection at her office.

FEDERAL TAX EXEMPTION: In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the “Tax Code”), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that for taxable years of corporations beginning before January 1, 2018, such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See “TAX EXEMPTION” in the Preliminary Official Statement.

STATE TAX EXEMPTION: In the opinion of Bond Counsel, under present laws of the State, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except for the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS.

CONSTITUTIONAL TAX LIMITATION: Sec. 2, art. 10, Constitution of the State, provides:

“The total tax levy for all public purposes including levies for bonds, within the state, or any subdivision thereof, shall not exceed five cents on one dollar of assessed valuation.”

STATUTORY TAX LIMITATION: NRS 361.453 provides:

“Except as otherwise provided in NRS 354.705, 354.723, 387.3288 and 450.760, the total ad valorem tax levy for all public purposes must not exceed \$3.64 on each \$100 of assessed valuation, or a lesser or greater amount fixed by the state board of examiners if the state board of examiners is directed by law to fix a lesser or greater amount for that fiscal year.”

CHARTER DEBT LIMITATION: Charter Section 7.010 provides:

“The city shall not incur an indebtedness in excess of fifteen percent of the total assessed valuation of the taxable property within the boundaries of the city.”

STATUTORY PRIORITY FOR THE BONDS: NRS 361.463 provides:

“1. In any year in which the total taxes levied by all overlapping units within the boundaries of the state exceed the limitation imposed by NRS 361.453, and it becomes necessary for that reason to reduce the levies made by any of those units, the reduction so made must be in taxes levied by those units (including the state) for purposes other than the payment of bonded indebtedness, including interest thereon.

2. The taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including the State) for all other purposes where reduction is necessary to comply with the limitation imposed by NRS 361.453.”

STATUTORY PROVISION FOR TAX LEVIES: NRS 350.592 provides in relevant part:

“1. There must be levied annually in due season a special tax on all property, both real and personal, subject to taxation within the boundaries of the municipality, fully sufficient together with the revenue which will result from application of the rate to the net proceeds of minerals, without regard to any statutory or charter tax limitations other than the limitation set forth in NRS 361.453, to pay the interest on the general obligation municipal securities and to pay and retire the securities as provided in the Local Government Securities Law and in any act supplemental hereto. The amount of money to be raised by the tax must be included in the annual estimate or budget for each county within the state for each year for which the tax is hereby required to be

levied. The tax must be levied and collected in the same manner and at the same time as other taxes are levied and collected.

2. The proceeds thereof levied to pay interest on the securities must be kept by the treasurer in a special fund, separate and apart from all other funds, and the proceeds of the tax levied to pay the principal of the securities must be kept by the treasurer in a special fund, separate and apart from all other funds. The two special funds must be used for no other purpose than the payment of the interest on the securities and the principal thereof, respectively, when due”

TIME OF LEVIES: NRS 350.594 provides:

“Such tax shall be levied immediately after the issuance of any general obligation securities issued in accordance with the provisions of the Local Government Securities Law, and annually thereafter, at the times and in the manner provided by law, until all of the securities, and the interest thereon, have been fully discharged. Such tax may be first levied after the municipality has contracted to sell any securities but before their issuance.”

USE OF GENERAL FUND: NRS 350.596 provides:

“Any sums coming due on any general obligation municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the taxes herein provided for have been collected.”

USE OF OTHER FUNDS: NRS 350.598 provides:

“Nothing contained in the Local Government Securities Law shall be so construed as to prevent the municipality from applying any funds (other than taxes) that may be available for that purpose to the payment of the interest on or the principal of any general obligation municipal securities as the same respectively mature, and regardless of whether the payment of the general obligation municipal securities is additionally secured by a pledge of revenues, and upon such payments, the levy or levies of taxes provided in the Local Government Securities Law may thereupon to that extent be diminished.”

STATUTORY APPROPRIATIONS: NRS 350.602 provides:

“There is by the Local Government Securities Law, and there shall be by ordinance authorizing the issuance of any indebtedness contracted in accordance with the provisions of the Local Government Securities Law, specially appropriated the proceeds of such taxes to the payment of such principal and interest; and such appropriations shall not be repealed nor the taxes postponed or diminished (except as herein otherwise expressly provided) until the principal of and interest on the municipal securities evidencing such debt have been wholly paid.”

NO PLEDGE OF PROPERTY: The payment of the Bonds will not be secured by an encumbrance, mortgage or other pledge of property of the City, and no property of the City is liable to be forfeited or taken in payment of the Bonds.

IMMUNITY OF INDIVIDUALS: NRS 350.606 provides:

“No recourse shall be had for the payment of the principal of, any interest on, and any prior redemption premiums due in connection with any bonds or other municipal securities or for any claim based thereon or otherwise upon the ordinance authorizing their issuance or other instrument appertaining thereto, against any individual member of the governing body or any officer or other agent of the municipality, past, present or future, either directly or indirectly through the governing body or the municipality, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the securities and as a part of the consideration of their issuance specially waived and released.”

ACTS IRREPEALABLE: NRS 350.610 provides:

“The faith of the state is hereby pledged that the Local Government Securities Law, any law supplemental or otherwise appertaining thereto, and any other act concerning the bonds or other municipal securities, taxes or the pledged revenues or any combination of such securities, such taxes and such revenues shall not be repealed nor amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding municipal securities, until all such securities have been discharged in full or provision for their payment and redemption has been fully made, including without limitation the known minimum yield from the investment or reinvestment of moneys pledged therefor in federal securities.”

TERMS OF SALE

BID PROPOSALS: Bids are required to be submitted electronically as described below. Any bidder is required to submit an unconditional and written bid for all of the Bonds specifying:

- (1) The lowest rate or rates of interest at which the bidder will purchase the Bonds,
- (2) If applicable, the premium or discount at which the bidder will purchase the Bonds.

It is also requested for informational purposes only, but is not required, that each bid disclose:

- (3) The true interest cost (i.e, actuarial yield) as of the dated date of the bond issue expressed as a nominal annual percentage rate. (See “BASIS OF AWARD” below); and

Solely as an accommodation to the bidders, the City will receive bids delivered electronically through PARITY. Each bidder submitting an electronic bid is solely responsible for all arrangements with PARITY.

By utilizing PARITY, a prospective electronic bidder represents and warrants to the City that such bidder’s bid for the purchase of the Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds. Bids must be submitted electronically for the purchase of the Bonds by means of PARITY by 8:30 a.m. Pacific Time on March 13, 2018. Prior to that time, an eligible prospective bidder may (1) input the proposed terms of its bid on PARITY, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, (3) send its proposed bid, or (4) withdraw its proposed bid. Once the bids are communicated electronically via PARITY, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided.

Each prospective electronic bidder shall be solely responsible to register to bid via PARITY as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the City nor the Financial Advisor shall have any duty or be obligated to provide or assure such access to any qualified prospective bidder, and neither the City nor the Financial Advisor shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The City is not responsible for, and each bidder expressly assumes the risk of and responsibility for, any incomplete,

inaccurate or untimely bid submitted by such bidder and is not liable for any damages caused by PARITY. Bidders must obtain instructions for submitting electronic bids from PARITY. The City is using PARITY as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds.

Each electronic bidder is required to transmit electronically via PARITY an unconditional bid specifying the lowest rate or rates of interest and the premium, or discount, as applicable, at which the bidder will purchase the Bonds. Each bid must be for all of the Bonds. If any provision in this Official Notice of Bond Sale conflicts with information or terms provided or represented by PARITY, the Official Notice of Bond Sale, including any amendments issued by public wire shall control.

For informational purposes only, the electronic bid will show the effective interest rate for the Bonds represented on a TIC basis, as described under "BASIS OF AWARD" below, represented by the rate or rates of interest and the bid price specified in the bid. No bid will be received after the time for receiving such bids specified above.

GOOD FAITH DEPOSIT: Except as otherwise provided below, a good faith deposit (the "Deposit") with respect to the Bonds in the form of a certified or cashier's check or wire transfer made payable to

Carson City, Nevada

in the amount of

\$50,000

is required for each bid on the Bonds to be considered. If a check is used, it must accompany each bid.

If the apparent winning bidder on the Bonds is determined to be a bidder who has not submitted a Deposit in the form of a check, as provided above, the Financial Advisor will request the apparent winning bidder to immediately wire the Deposit to the City and provide the Federal wire reference number of such Deposit to the Financial Advisor within 90 minutes of such request by the Financial Advisor. The Bonds will not be officially awarded to a bidder who has not submitted a Deposit, until such time as the bidder has provided a Federal wire reference number for the Deposit to the Financial Advisor.

No interest on the Deposit will accrue to any bidder. The Deposit of the winning bidder for the Bonds will be applied to the purchase price of the Bonds. In the event the winning bidder fails to honor its accepted bid, the Deposit plus any interest accrued on the Deposit will be retained by the City. Any investment income earned on the Deposit will not be credited to the successful bidder on the purchase price of the Bonds but will be paid to the successful bidder in the event the City is unable to deliver the Bonds as provided under "MANNER AND TIME OF DELIVERY" below. Deposits accompanying bids other than the bid which is accepted will be returned promptly upon the determination of the best bidder.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser to accept delivery of any payment for the Bonds in accordance with the terms of the purchase contract. All expenses relating to printing the CUSIP numbers on the Bonds will be paid by the City; but the CUSIP Global Services charge for the assignment of the numbers will be the responsibility of and must be paid by the purchaser.

SALES RESERVATIONS: The City reserves the privilege of waiving any irregularity or informality in any bid, of rejecting any and all bids, and of reoffering the Bonds, as provided by law.

In addition, the City reserves the privilege of changing the date and/or time of sale of the Bonds. Any change in the date and/or time of sale of the Bonds will be communicated via PARITY before the time of the sale. If the City changes the sale date and/or time, this Official Notice of Bond Sale shall remain effective, except as amended by PARITY.

BASIS OF AWARD: The Bonds, subject to such sale reservations, will be sold by the City to the responsible bidder making the best bid for the Bonds. The best bid for the Bonds will be determined by computing the actuarial yield on the Bonds (i.e., using an actuarial or true interest cost method) for each bid received and an award will be made (if any is made) to the responsible bidder submitting the bid which results in the lowest true interest cost on the Bonds. “True interest cost” on the Bonds as used herein means that yield which if used to compute the present worth as of the date of the Bonds of all payments of principal and interest to be made on the Bonds, from their date to their respective maturity dates (or mandatory sinking fund redemption dates), using the interest rates specified in the bids and principal amounts specified in the Maturity Schedule, produces an amount equal to the principal amount of the Bonds, plus any premium or less any discount, as the case may be. Such calculation and the determination of the best bid will be based on the principal amounts submitted by the bidder, notwithstanding any change in maturities as described under “ADJUSTMENT OF MATURITIES” above. Such calculation shall be based on a 360 day year and a semiannual compounding interval. If there are two or more equal bids and such equal bids are the best bids received, the City will determine which bid will be accepted.

SUCCESSFUL BIDDER’S REOFFERING PRICES: Within one-half hour of the bid opening, the successful bidder (or manager of the purchasing account or accounts) shall notify the City’s Chief Financial Officer (the “Chief Financial Officer”) and the City’s Financial Advisor at john@jnaconsultinggroup.com, by electronic transmission of the initial offering prices of such Bonds to the public. The notification must be confirmed in writing in the form and substance satisfactory to Bond Counsel prior to the delivery of the Bonds. The confirmation will be part of the “Purchaser’s Certificate” which will be in substantially the same form as Exhibit A in the event the City receives 3 or more bids that conform to the requirements of this Official Notice of Sale for the Bonds; or in substantially the same form as Exhibit B in the event the City does not receive 3 or more such bids for the Bonds. **By submitting a bid for the**

Bonds, each bidder certifies it has an established industry reputation for underwriting new issuance of municipal bonds.

PLACE AND TIME OF AWARD: Electronic bids will be received on behalf of the City as described above. The Chief Financial Officer intends to award the Bonds or reject all bids for the Bonds on the day hereinabove designated for receiving bids. In any event, the Chief Financial Officer will award the Bonds or reject all bids for the Bonds not later than 5 p.m. Pacific Time on the day of the sale of the Bonds. An award of the Bonds may be made after 5 p.m. Pacific Time on the day of the sale of the Bonds if the bidder has not given notice in writing to the Chief Financial Officer (see “INFORMATION” below) of the withdrawal of its bid. Notice of withdrawal of a bid may not be given during the time period commencing at the designated time of the sale of the Bonds (presently 8:30 a.m. Pacific Time on March 13, 2018) and ending at 5 p.m. Pacific Time on the day of the sale of the Bonds.

MANNER AND TIME OF DELIVERY: The Deposit of the best bidder for the Bonds will be credited to the purchaser at the time of delivery of the Bonds (without accruing interest). If the successful bidder for the Bonds fails, neglects, or refuses to complete the purchase of the Bonds on the date on which such Bonds are made ready and are tendered by the City for delivery, the amount of the Deposit for such Bonds will be forfeited (as liquidated damages for noncompliance with the bid) to the City. In that event, the City may reoffer such Bonds for sale as provided by law. The Bonds (registered in the name of Cede & Co.) will be made available for delivery by the City to the purchaser as soon as reasonably possible after the date of the sale, and the City contemplates delivering them on or about April 4, 2018 (the “Closing Date”). The purchaser of the Bonds will be given 72 hours’ notice of the time fixed by the Board for tendering the Bonds for delivery.

PAYMENT AT AND PLACE OF DELIVERY: The successful bidder for the Bonds will be required to make payment of the balance due for and to accept delivery of the Bonds at the Paying Agent pursuant to the FAST System of DTC. Payment of the balance of the purchase price due for the Bonds at the time of its delivery must be made in Federal Reserve Bank funds or other funds acceptable to the City for immediate and unconditional credit to the account of the City, as directed by the City, at a bank or banks designated by the City, so that Bond proceeds may be so deposited or invested, or both deposited and invested, as the City may determine, simultaneously with the delivery of the Bonds. The balance of the purchase price, including, without limitation, any premium, must be paid in such funds and not by any cancellation or waiver of interest, and not by any other concession as a substitution for such funds.

OFFICIAL STATEMENT: The City has prepared the Preliminary Official Statement which is deemed by the City to be final as of its date for purposes of allowing bidders to comply with Rule 15c2-12(b) of the Securities and Exchange Commission (the “Rule”), except for the omission of certain information as permitted by the Rule. The Preliminary Official Statement is subject to revision, amendment and completion in a final official statement (the “Final Official Statement”).

The City will prepare a Final Official Statement, dated as of the date of its delivery to the winning bidder as soon as practicable after the date of award to the winning bidder. The City will provide to the winning bidder of the Bonds an electronic copy of the Final Official Statement on or before seven business days following the date of the award to the winning bidder of the Bonds.

The City authorizes the winning bidder to distribute the Final Official Statement in connection with the offering of the Bonds purchased by such winning bidder.

For a period beginning on the date of the Final Official Statement and ending twenty five days following the date the winning bidder shall no longer hold for sale any of the Bonds (which date shall be the Closing Date unless the winning bidder notifies the City in writing otherwise), if any event concerning the affairs, properties or financial condition of the City shall occur as a result of which it is necessary to supplement the Final Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, at the request of the winning bidder, the City shall forthwith notify the winning bidder of any such event of which it has knowledge and shall cooperate fully in the preparation and furnishing of any supplement to the Final Official Statement necessary, in the reasonable opinion of the City and the winning bidder, so that the statements therein as so supplemented will not be misleading in the light of the circumstances existing at such time.

INFORMATION: This Official Notice of Bond Sale, an Official Statement and other information concerning the City and the Bonds may be obtained prior to the sale from:

The City's Financial Advisor:

JNA Consulting Group, LLC
410 Nevada Way, Suite 200
Boulder City, Nevada 89005
(702) 294-5100
john@jnaconsultinggroup.com

or

The City's Chief Financial Officer:

Jason Link
201 N. Carson Street
Suite 3
Carson City, Nevada 89701
(775) 887-2133

CITY REPRESENTED BY INDEPENDENT REGISTERED MUNICIPAL ADVISOR. The City has engaged, is represented by and will rely on the advice of the City's Financial Advisor, an independent registered municipal advisor, to advise it on the issuance of

the Bonds and other aspects of the financing for which the Bonds are being issued. The City intends that this statement constitutes the “required representation” for purposes of the independent registered municipal advisor exemption set forth in SEC Rule 15Ba1-1(d)(3) and prospective bidders and other market participants may rely on this written statement and receive and use it for purposes of that exemption. Each bidder should consult with its own advisors in determining whether the exemption is available to that bidder and other requirements applicable for the exemption to be available to that bidder.

LEGAL OPINION, BONDS AND TRANSCRIPT: The validity and enforceability of the Bonds will be approved by:

**Sherman & Howard
50 West Liberty Street, Suite 1000
Reno, Nevada 89501
(775) 323-1980**

whose final, approving opinion, together with the printed Bonds, a certified transcript of the legal proceedings, including a certificate stating that there is no litigation pending affecting the validity of the Bonds as of the Closing Date, and other closing documents, will be furnished to the purchaser of the Bonds without charge by the City. The form of the approving opinion will be substantially in the form set forth in Appendix E to the Preliminary Official Statement.

CONTINUING DISCLOSURE UNDERTAKING: Pursuant to the Rule, the City will undertake in a continuing disclosure certificate which is authorized in the Bond Ordinance to provide certain ongoing disclosure, including annual operating data and financial information, audited financial statements and notices of the occurrences of certain material events. A copy of the continuing disclosure certificate is included as Appendix D to the Preliminary Official Statement.

DISCLOSURE CERTIFICATES: The final certificates included in the transcript of legal proceedings will include:

1. A certificate, dated as of the Closing Date and signed by the Mayor of the City, the Chief Financial Officer, the City Treasurer, the City Clerk and the Deputy District Attorney, in which each of them states, after reasonable investigation, that to the best of his or her knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of the knowledge of each of them, threatened, in any way contesting the completeness or accuracy of the Final Official Statement, (b) the Final Official Statement as it pertains to the City and the Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (c) no event affecting the City has occurred since the date of the Final Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein

not misleading in any respect; provided, however that the City does not make any representation concerning the pricing information contained in the Final Official Statement.

2. A certificate, dated as of the Closing Date and signed by the Chief Financial Officer, stating after reasonable investigation that, to the best of his knowledge, as of the date of the Final Official Statement and on the date of such certificate, the information contained in the Final Official Statement relating to revenues and expenditures of the City is true and correct and does not contain any untrue statement of a material fact or omit any information necessary to be included therein in order that the Final Official Statement be not misleading for the purpose for which it is to be used.

CONSENT TO JURISDICTION: A bid submitted by electronic bidding, if accepted by the Chief Financial Officer on behalf of the City, forms a contract between the winning bidder and the City subject to the terms of this Official Notice of Bond Sale. By submitting a bid, the bidder consents to the exclusive jurisdiction of any court of the State of Nevada located in Carson city or the United States District Court for the State of Nevada for the purpose of any suit, action or other proceeding arising as a result of the submittal of the bid, and the bidder irrevocably agrees that all claims in respect to any such suit, action or proceeding may be heard and determined by such court. The bidder further agrees that service of process in any such action commenced in such State or Federal court shall be effective on such bidder by deposit of the same as registered mail addressed to the bidder at the address set forth in the bid.

Dated March 2, 2018.

CARSON CITY, NEVADA

/s/ Jason Link
Chief Financial Officer

Exhibit A
Purchaser's Certificate

IT IS HEREBY CERTIFIED by the undersigned on behalf of _____ (the "Purchaser"), as representative of the underwriters for the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A (the "Bonds"):

1. We acknowledge receipt of the Bonds in the aggregate principal amount of \$_____, bearing interest and maturing as provided in an authorizing ordinance of the Board of Supervisors of Carson City, Nevada (the "City") adopted and approved on March 1, 2018 (the "Bond Ordinance"), and the instruments described therein, and such Bonds being in the denominations and registered in the name of Cede & Co., as nominee of The Depository Trust Company, as requested by us.

2. A bona fide public offering was made for all of the Bonds on the Sale Date at the Prices shown on the inside cover page of the Official Statement for the Bonds. Those Prices are the reasonably expected initial offering Prices of each maturity of the Bonds to the Public which were used by the Purchaser in formulating its bid to purchase the Bonds. For purposes of Paragraphs 2, 3 and 4, the following defined terms shall have the meanings assigned thereto as set forth below.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party. The term "Related Party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the date the Purchaser's bid for the Bonds was accepted on behalf of the City.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

If a yield is shown on the inside cover page of the Official Statement for any maturity, "Price" herein means the dollar price that produces that yield.

3. The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

4. The bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

5. The Underwriter has established an established industry reputation for underwriting new issuances of municipal bonds.

6. The City and its counsel may rely on these certifications in concluding that the Bonds meet certain requirements of the Internal Revenue Code of 1986 as amended (the “Code”), relating to tax-exempt bonds; however, nothing herein represents our interpretation of any law and we are not providing any interpretations of law or regulations in executing and delivering this certificate.

DATED as of _____, 2018.

_____, as Representative of the Underwriters

By: _____

Title: _____

Exhibit B
Purchaser's Certificate

IT IS HEREBY CERTIFIED by the undersigned on behalf of _____ (the "Purchaser"), as representative of the underwriters for the Carson City, Nevada, General Obligation (Limited Tax) Sewer Bonds (Additionally Secured by Pledged Revenues), Series 2018A (the "Bonds"):

1. We acknowledge receipt of the Bonds in the aggregate principal amount of \$_____, bearing interest and maturing as provided in an authorizing ordinance of the Board of Supervisors of Carson City, Nevada (the "City") adopted and approved on March 1, 2018 (the "Bond Ordinance"), and the instruments described therein, and such Bonds being in the denominations and registered in the name of Cede & Co., as nominee of The Depository Trust Company, as requested by us.

2. A bona fide public offering was made for all of the Bonds on the Sale Date at the Prices shown [on the inside cover page of the Official Statement for the Bonds][in Exhibit 1]. The first Price at which a Substantial Amount of each maturity of the Bonds was sold to the Public is the Price shown [on the inside cover page of the Official Statement][in Exhibit 1] for that maturity of the Bonds. For purposes of this Paragraph 2, the following defined terms shall have the meanings assigned thereto as set forth below:

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party. The term "Related Party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the date the Purchaser's bid for the Bonds was accepted on behalf of the City.

"Substantial Amount" is 10% or more of each maturity.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

If a yield is shown on the inside cover page of the Official Statement for any maturity, "Price" herein means the dollar price that produces that yield.

3. The Underwriter has established an established industry reputation for underwriting new issuances of municipal bonds.

4. The City and its counsel may rely on these certifications in concluding that the Bonds meet certain requirements of the Internal Revenue Code of 1986 as amended (the “Code”), relating to tax-exempt bonds; however, nothing herein represents our interpretation of any law and we are not providing any interpretations of law or regulations in executing and delivering this certificate.

DATED as of _____, 2018.

_____, as Representative of the Underwriters

By: _____

Title: _____

Exhibit 1 to Purchaser's Certificate
(Offering Prices of Bonds)