



CITY OF ELY, NEVADA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ELY, NEVADA

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FINANCIAL SECTION



KEDDINGTON & CHRISTENSEN, CPAS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of City Council
City of Ely, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ely, Nevada as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Ely, Nevada's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Ely, Nevada'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 City of Ely, Nevada'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund, and the aggregate remaining fund information of the City of Ely, Nevada as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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, schedules of revenues, expenditures and changes in fund balances – budget and actual, schedule of proportionate share of the net pension liability, schedule of contributions, schedule of changes in net OPEB liability and related ratios, schedule of OPEB contributions, and the related notes to the required supplementary information, as noted on the table of contents, 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 the 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ely, Nevada's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and budgetary comparison schedules, as listed in the table of contents, 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 nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2018, on our consideration of the City of Ely, Nevada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 of Ely, Nevada'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 of Ely, Nevada's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Salt Lake City, Utah
December 31, 2018

CITY OF ELY, NEVADA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Ely, we offer readers of the City of Ely's financial statements this narrative overview and analysis of the financial activities of the City of Ely for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets of the City of Ely exceeded its liabilities and deferred inflows, at June 30, 2018, by \$23,436,562 (net position). Of this amount, \$2,930,226 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased, net of prior period adjustments, by \$23,805. The City's enterprise funds net position decreased, net of prior period adjustments by \$253,056. The governmental fund net position increased, net of prior period adjustments, by \$229,251.
- As of June 30, 2018, the City of Ely's governmental funds reported combined ending fund balances of \$1,414,776, with \$317,849 being available for spending at the City's discretion (unassigned fund balance).
- As of June 30, 2018, unassigned fund balance in the general fund was \$317,849, or 15% of the general fund expenditures.

Financial Statement Overview

This discussion and analysis is intended to serve as an introduction to the City of Ely's basic financial statements. The City of Ely'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.

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

The Statement of Net Position presents information on all of the City of Ely's assets and liabilities, with the difference between the two 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 of Ely is improving or deteriorating.

The Statement of Activities presents information showing how the government'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items with the resulting cash flows being reported in future fiscal periods.

Both the government-wide financial statements distinguish functions of the City of Ely 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 of Ely include general government, judicial, public safety, public works, streets and highways, health and sanitation, culture and

recreation, and community support. The business-type activities of the City of Ely include water, sanitation (sewer), sanitary landfill, and railroad operations.

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 of Ely, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Ely can be divided into two categories: governmental funds and proprietary 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 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 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 short-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Ely maintains eleven 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 and street fund which are considered to be major funds. Individual fund data, for each of the non-major governmental funds, is provided in the form of combining statements elsewhere in the report.

The City of Ely adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison, for the City's general and street funds, has been provided to demonstrate compliance with this budget. Budget comparisons for other funds are provided elsewhere in the report.

Proprietary Funds. The City of Ely uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements. The City of Ely uses enterprise funds to account for its water, sewer, landfill, and railroad activities.

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 activity, the sewer activity, the landfill activity and railroad activity, which are considered major funds of the City of Ely.

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

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial condition. In the case of the City of Ely, assets exceeded liabilities by \$23,436,562 at June 30, 2018, versus \$23,460,368 at June 30, 2017, an decrease of \$18,518 resulting from current year activity.

City of Ely, Nevada Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Assets						
Current and other assets	\$ 1,679,718	\$ 1,228,096	\$ 9,322,198	\$ 8,996,856	\$ 11,001,916	\$ 10,224,952
Net capital assets	4,795,934	5,196,734	15,375,703	14,994,198	20,171,637	20,190,932
Total assets	6,475,652	6,424,830	24,697,901	23,991,054	31,173,553	30,415,884
Deferred outflows						
Outflows related to pension and OPEB	593,736	1,229,805	462,487	346,868	1,056,223	1,576,673
Total liabilities	593,736	1,229,805	462,487	346,868	1,056,223	1,576,673
Liabilities						
Long-term liabilities outstanding	-	-	783,084	718,591	783,084	718,591
Other liabilities	3,192,416	4,079,038	4,317,130	3,466,265	7,509,546	7,545,303
Total liabilities	3,192,416	4,079,038	5,100,214	4,184,856	8,292,630	8,263,894
Deferred inflows						
Inflows related to pension	281,397	209,272	219,187	59,023	500,584	268,295
Total liabilities	281,397	209,272	219,187	59,023	500,584	268,295
Net position:						
Net investment in capital assets	4,238,812	4,584,832	13,098,120	12,652,651	17,336,932	17,237,483
Restricted	741,666	918,593	2,427,738	1,994,183	3,169,404	2,912,776
Unrestricted	(1,384,903)	(2,137,100)	4,315,129	5,447,209	2,930,226	3,310,109
Total net position	\$ 3,595,575	\$ 3,366,325	\$ 19,840,987	\$ 20,094,043	\$ 23,436,562	\$ 23,460,368

The largest portion of the City of Ely's net position (74%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Ely uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Ely's investments in its capital assets is reported net of related debt, it should be noted that the recourses needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the debts.

Restricted net position represents 13.5% of the City's net position. They represent resources that are subject to external restrictions on how they may be used. These include the debt-restricted cash in the water and sewer funds and cash set aside to alleviate future revenue shortfalls in the general-government funds.

The remaining portion of the City's net position (12.5%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

City of Ely, Nevada
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenues:						
Program revenues:						
Charges for services	\$ 645,985	\$ 683,520	\$ 3,311,488	\$ 3,209,124	\$ 3,957,473	\$ 3,892,644
Operating grants and contributions	30,499	38,673	656,792	1,365,307	687,291	1,403,980
Capital grants and contributions	235,173	848,934	-	3,103	235,173	852,037
General revenues:						
Consolidated taxes	1,394,324	1,304,402	-	-	1,394,324	1,304,402
Fuel taxes	170,508	184,962	-	-	170,508	184,962
Room taxes	157,933	38,625	-	-	157,933	38,625
Share of county gaming tax	32,400	43,706	-	-	32,400	43,706
Ad valorem taxes	86,573	69,993	-	-	86,573	69,993
Franchise taxes	175,538	171,195	-	-	175,538	171,195
Total revenues	<u>2,928,933</u>	<u>3,384,010</u>	<u>3,968,280</u>	<u>4,577,534</u>	<u>6,897,213</u>	<u>7,961,544</u>
Expenses:						
General government	145,194	302,204	-	-	145,194	302,204
Judicial	222,824	226,598	-	-	222,824	226,598
Public safety	1,135,287	1,426,288	-	-	1,135,287	1,426,288
Public works	120,817	227,744	-	-	120,817	227,744
Health and sanitation	150,900	144,353	-	-	150,900	144,353
Culture and recreation	110,171	187,588	-	-	110,171	187,588
Community support	62,490	50,453	-	-	62,490	50,453
Highways and streets	399,821	477,684	-	-	399,821	477,684
Interest on long term debt	-	23,427	-	-	-	23,427
Water	-	-	1,555,576	1,251,223	1,555,576	1,251,223
Sewer	-	-	1,119,986	822,194	1,119,986	822,194
Landfill	-	-	1,408,399	580,600	1,408,399	580,600
Railroad	-	-	-	1,111,422	-	1,111,422
Total expenses	<u>2,347,504</u>	<u>3,066,339</u>	<u>4,083,961</u>	<u>3,765,439</u>	<u>6,431,465</u>	<u>6,831,778</u>
Increase in net position before transfers	581,429	317,671	(115,681)	812,095	465,748	1,129,766
Transfers	-	(5,227)	-	5,227	-	-
Increase in net position	581,429	312,444	(115,681)	817,322	465,748	1,129,766
Net position, beginning	3,366,325	3,053,881	20,094,043	19,817,173	23,460,368	22,871,054
Reclassification and prior period adjustments	(352,178)	-	(137,375)	(540,452)	(489,553)	(540,452)
Net position, ending	<u>\$ 3,595,576</u>	<u>\$ 3,366,325</u>	<u>\$ 19,840,987</u>	<u>\$ 20,094,043</u>	<u>\$ 23,436,563</u>	<u>\$ 23,460,368</u>

Governmental Activities. Program revenues include charges for services, fines and forfeitures, certain licenses and permits, and both operating and capital grants and contributions. Charges for services revenues of the governmental activities provided 28% of total governmental revenues. The remaining program costs were financed from grants and general revenues. The largest general revenue source is consolidated taxes of \$1,394,324 which provided 48% of the total governmental revenues.

Business-Type Activities. Program revenues and charges for services, provided all of the resources necessary to pay the cost of providing program services.

Financial Analysis of the City's Funds

Governmental Funds. The focus of the City of Ely's governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Ely's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Ely's governmental funds reported combined ending fund balances of \$1,712,178; \$317,849 of this balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is designated nonspendable or restricted to indicate that it is either not available for spending or restricted for specific purposes.

General Fund. The general fund is the chief operating fund of the City of Ely. At the end of the current fiscal year, unreserved fund balance of the general fund was \$317,849. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unreserved fund balance represents 15% of total general fund expenditures.

The fund balance of the general fund increased by \$144,209 during the current year. This was a favorable difference of \$149,459 when compared to the budgeted decrease of \$5,250.

The major revenue sources of the general fund are intergovernmental revenues (\$1,587,276) which represent 71% of the general fund's revenues. The intergovernmental revenues include consolidated tax (CTX), sales, liquor, cigarette and motor vehicle taxes and grants.

The major general fund expenditures are for public safety, which are 57% (\$1,195,424) of total general fund expenditures. The Public Safety expenditures included \$745,424 for Fire Department operations, and \$450,000 for transfer payments to White Pine County for police services.

Street Fund. The street fund is the special revenue fund used to account for the City's share of motor vehicle fuel tax revenues. The revenue is dedicated to the repair, maintenance, and construction of the City's streets and alleys. This fund has been under stress for the last few years, as the gas tax revenues have been reallocated state-wide and have fallen. The City and County are working together to utilize Regional Transportation Commission revenue and Public Transit Fund revenue to improve the City streets. The Fund balance was \$60,907 at the start of the year. During the course of the year fund expenditures exceeded revenues by \$25,175.

Proprietary Funds. The City's proprietary funds are comprised of the four City utility funds: water, sewer, landfill, and the railroad fund. The government-wide financial data is the same as the individual fund data, as the enterprise funds are accounted for under the full accrual method of accounting. No general tax revenues are used to support these funds.

Municipal Water Fund. Operating revenue increased by \$3,054 (0.3% increase). The increase was due primarily to changes in water usage. Operating expenses increased 24.3% (\$241,466) for the year. The change in net position for the year was an increase of \$223,600.

Sanitation Fund. The City's sewer fund operating revenue was up by \$29,251 (2.9% increase) due primarily to normal changes in population and services. Operating expenses increased by 39.9% (\$299,181) for the year. The change in net position for the year was a decrease of \$68,972.

Sanitary Landfill Fund. The City's landfill fund operating revenue was up by \$88,468 (9.6% increase) due primarily to normal activity and changes in population and services. Operating expenses increased by 142.6% (\$827,799) for the year, resulting primarily from a prior year decrease in closure/post closure liability (\$459,301) and a current year increase in closure/post closure liability of \$64,493. The fund had a decrease in net position for the year of \$407,684. The fund is accumulating cash, to pay the projected closure and post closure care costs in line with current engineering estimates.

Railroad Fund. The fund accounts for acquisition and maintenance activity for the railroad line owned by the City. There was no activity in the year ended June 30, 2018.

Budgetary Highlights.

The General Fund's legal level of budgetary control is the function level. The budget for expenditure appropriation for the year was \$2,184,349. Actual expenditures were \$93,936 less than the final budget. All functions of the general fund were under budget for the year ended June 30, 2018.

Capital Assets and Debt Administration.

Capital Assets. The City of Ely's investment in capital assets for its government and business-type activities, as of June 30, 2018, amounts to \$20,171,637 net of depreciation. The assets are displayed by type of activity and asset in the table on the next page.

Major capital asset additions for the fiscal year are as follows:

Governmental activity:		
Vehicles and equipment	\$	413,917
Business-type activity:		
System improvements	\$	996,357

City of Ely, Nevada
Capital assets for years ended June 30, 2017 and 2016

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Land	\$ 275,931	\$ 275,931	\$ 1,882,278	\$ 1,882,278	\$ 2,158,209	\$ 2,158,209
Construction in progress	-	413,917	52,850	52,850	52,850	466,767
Streets	1,373,405	1,488,028	-	-	1,373,405	1,488,028
Flood control	143,124	152,580	-	-	143,124	152,580
Improvements	587,473	628,509	12,726,351	12,257,916	13,313,824	12,886,425
Buildings	706,214	756,867	348,788	383,593	1,055,002	1,140,460
Vehicles and equipment	1,709,787	1,480,902	365,436	417,561	2,075,223	1,898,463
Net capital assets	<u>4,795,934</u>	<u>5,196,734</u>	<u>15,375,703</u>	<u>14,994,198</u>	<u>20,171,637</u>	<u>20,190,932</u>

Additional information on the City of Ely's capital assets can be found in notes to the financial statements.

Outstanding Debt.

At the end of the fiscal year, the City had total debt of \$2,834,705. Of this amount, the governmental activities had \$557,122 outstanding and the business-type activities \$2,277,583. These amounts are not considered general obligation debt. The debts are revenue bonds, notes payable secured by deeds of trust and a capital lease.

City of Ely, Nevada
Outstanding notes and bonds for years ended June 30, 2018 and 2017

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Revenue bonds payable	\$ -	\$ -	\$ 2,277,583	\$ 2,341,547	\$ 2,277,583	\$ 2,341,547
Trust deeds payable	284,969	301,685	-	-	284,969	301,685
Capital lease	272,153	310,217	-	-	272,153	310,217
and bonds	<u>557,122</u>	<u>611,902</u>	<u>2,277,583</u>	<u>2,341,547</u>	<u>2,834,705</u>	<u>2,953,449</u>

Additional information on the City of Ely's long-term debt can be found in notes to the financial statements.

Other Factors/Economic Factors.

The City Budgeted 59% of its General Fund revenues from the consolidated Tax (CTX) distributions (predominately sales taxes) and experienced relatively no change from the prior year. Additional growth, retail sales and continued construction may increase the amount of CTX tax distributions the City receives over time. Mining continues to be a strong source of regional employment, but is always subject to the variances of commodity price fluctuations now being experienced. Expansion of current mining operations and the possible opening of new mines would contribute to the sales tax.

The General Fund of the City has held its financial condition as a result of strict budgeting practices along with the efforts of the City personnel to work smart with conscientious spending. Although the City is expecting fluctuations in tax revenues, with the continued practice of holding or reducing expenditures as needed, these fluctuations are not expected to have a significant impact on the City's financial health in the near term.

The City of Ely's Enterprise Funds (Water, Sewer, Landfill, and Railroad) continue to be financially sound.

- **The Water Fund** – The Water Fund revenue is holding steady and the City is investing in improving and upgrading the system.
- **The Sewer Fund** – The Sewer Fund revenue is also holding steady, with the cash position improving. The City received a grant to video the system in prior years to determine how it is performing. The results of the cleaning/televising of the sewer system confirmed the need to replace thousands of feet of sewer line in the near future.
- **The Landfill Fund** – The Landfill Fund continues to operate efficiently. The equipment continues to run well and the purchase of new equipment should help cut costs on maintenance. Landfill improvements and the permitting of the class III section (construction waste) has improved the life of the project and should lead to long-term cost reductions for the community. Modification of the operating permit is in progress to allow for a change in the access road in order to gain more space for refuse.
- **The Railroad Fund** – The Railroad Fund continues to operate efficiently. Its primary source or revenues and expense arise from grants and expenses related to railroad improvements.

Requests for information. This report is designed to provide a general overview of the city of Ely's finances for all interested parties. Questions concerning the information provided in this report or requests for additional information should be addressed to City Clerk or City Treasurer, City of Ely, 501 Mill St., Ely, Nevada 89301.

BASIC FINANCIAL STATEMENTS

CITY OF ELY, NEVADA
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 536,210	\$ 5,716,863	\$ 6,253,073
Accounts receivable, net	65,189	331,622	396,811
Tax receivable	20,198	-	20,198
Internal Balances	(32,460)	32,460	-
Due from other governments	338,103	8,753	346,856
Inventory and prepaid expenses	-	21,678	21,678
Deposits	1,200	-	1,200
Restricted assets:			
Cash held for debt service	29,736	175,789	205,525
Cash held for landfill closure	-	783,084	783,084
Cash held for fund specific purposes	645,728	2,251,949	2,897,677
Receivables held for fund specific purposes	75,814	-	75,814
Property and equipment not being depreciated	275,931	1,893,328	2,169,259
Property and equipment, net of depreciation	4,520,003	13,440,575	17,960,578
Non-service property, Georgetown Ranch, net	-	41,800	41,800
Total assets	<u>6,475,652</u>	<u>24,697,901</u>	<u>31,173,553</u>
Deferred Outflow of Resources			
Deferred outflows related to pensions	583,469	454,480	1,037,949
Deferred outflows related to OPEB	10,267	8,007	18,274
Total deferred outflows	<u>593,736</u>	<u>462,487</u>	<u>1,056,223</u>
Liabilities			
Accounts payable	136,641	79,156	215,797
Accrued liabilities	118,739	18,268	137,007
Accrued interest	5,995	10,421	16,416
Customer deposits	9,562	28,797	38,359
Current maturities of compensated absences	90,944	27,248	118,192
Current maturities of capital lease	38,777	-	38,777
Current maturities of notes payable	18,298	-	18,298
Current maturities of bonds payable	-	73,467	73,467
Noncurrent liabilities:			
Net compensated absences	72,944	161,496	234,440
Net OPEB obligation	151,258	117,974	269,232
Net pension liability	2,049,211	1,596,187	3,645,398
Capital lease payable, net of current maturities	233,376	-	233,376
Notes payable, net of current maturities	266,671	-	266,671
Bonds payable, net of current maturities	-	2,204,116	2,204,116
Landfill closure costs	-	783,084	783,084
Total liabilities	<u>3,192,416</u>	<u>5,100,214</u>	<u>8,292,630</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	281,397	219,187	500,584
Total deferred inflows	<u>281,397</u>	<u>219,187</u>	<u>500,584</u>
Net Position			
Net investment in capital assets	4,238,812	13,098,120	17,336,932
Restricted for:			
Judicial	143,513	-	143,513
Debt service	29,736	175,789	205,525
Streets	35,732	-	35,732
Community development	165,859	-	165,859
Stabilization	135,553	-	135,553
Capital projects	231,273	2,251,949	2,483,222
Unrestricted	(1,384,903)	4,315,129	2,930,226
Total net position	<u>\$ 3,595,575</u>	<u>\$ 19,840,987</u>	<u>\$ 23,436,562</u>

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

CITY OF ELY, NEVADA
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 145,194	\$ 209,649	\$ -	\$ -	\$ 64,455	\$ -	\$ 64,455
Judicial	222,824	98,559	-	-	(124,265)	-	(124,265)
Public safety	1,135,287	241,301	-	-	(893,986)	-	(893,986)
Public works	120,817	57,935	-	53,993	(8,889)	-	(8,889)
Health and sanitation	150,900	-	540	-	(150,360)	-	(150,360)
Culture and recreation	110,171	20,543	-	7,177	(82,451)	-	(82,451)
Community support and development	62,490	17,997	29,959	-	(14,534)	-	(14,534)
Highway and streets	399,821	-	-	174,003	(225,818)	-	(225,818)
Total governmental activities	2,347,504	645,984	30,499	235,173	(1,435,848)	-	(1,435,848)
Business-type activities:							
Municipal water	1,555,576	1,169,007	648,413	-	-	261,844	261,844
Sanitation	1,119,986	1,077,537	4,145	-	-	(38,304)	(38,304)
Landfill	1,408,399	1,064,944	4,234	-	-	(339,221)	(339,221)
Railroad	-	-	-	-	-	-	-
Total business-type activities	4,083,961	3,311,488	656,792	-	-	(115,681)	(115,681)
Total primary government	\$ 6,431,465	\$ 3,957,472	\$ 687,291	\$ 235,173			
General Revenues:							
		Property taxes			86,573	-	86,573
		Franchise tax			175,538	-	175,538
		Room taxes			157,933	-	157,933
		Consolidated tax			1,394,324	-	1,394,324
		Share of county gaming tax			32,400	-	32,400
		Fuel tax			170,508	-	170,508
		Total general revenues			2,017,276	-	2,017,276
		Change in net position			581,428	(115,681)	465,747
		Net position - beginning			3,366,325	20,094,043	23,460,368
		Restatement and prior period adjustments			(352,178)	(137,375)	(489,553)
		Net position - ending			\$ 3,595,575	\$ 19,840,987	\$ 23,436,562

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

CITY OF ELY, NEVADA
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 178,571	\$ -	\$ 658,172	\$ 836,743
Restricted cash and cash equivalents	135,554	9,562	229,815	374,931
Accounts receivable	65,189	-	40,082	105,271
Taxes receivable	-	-	20,198	20,198
Due from other governments	283,892	89,943	-	373,835
Deposits	1,200	-	-	1,200
Total assets	<u>\$ 664,406</u>	<u>\$ 99,505</u>	<u>\$ 948,267</u>	<u>\$ 1,712,178</u>
Liabilities				
Accounts payable	\$ 95,562	\$ 18,504	\$ 22,575	\$ 136,641
Accrued liabilities	115,442	3,247	50	118,739
Due to other funds	-	32,460	-	32,460
Customer deposits	-	9,562	-	9,562
Total liabilities	<u>211,004</u>	<u>63,773</u>	<u>22,625</u>	<u>297,402</u>
Fund Balance				
Nonspendable:				
Prepaid expenses	-	-	-	-
Restricted for:				
Capital outlay	-	15,732	231,273	247,005
Debt service	-	-	29,736	29,736
Stabilization	135,553	-	-	135,553
Other purposes	-	-	309,372	309,372
Committed for:				
Capital outlay	-	20,000	273,317	293,317
Other purposes	-	-	81,944	81,944
Unassigned	317,849	-	-	317,849
Total fund balances	<u>453,402</u>	<u>35,732</u>	<u>925,642</u>	<u>1,414,776</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 664,406</u>	<u>\$ 99,505</u>	<u>\$ 948,267</u>	<u>\$ 1,712,178</u>

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

CITY OF ELY, NEVADA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
For the Year Ended June 30, 2018

Total governmental fund balance		\$ 1,414,776
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	13,956,023	
Less accumulated depreciation	(9,160,089)	
	<hr/>	4,795,934
Some liabilities, including bonds payable, capital leases, and interest payable are not due and payable in the current period and therefore are not reported in the funds.		
Notes and capital leases payable	(557,122)	
Interest payable	(5,995)	
Compensated absences	(163,888)	
Net OPEB obligation	(151,258)	
Net pension liability	(2,049,211)	
	<hr/>	(2,927,474)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions	583,469	
Deferred inflows related to pensions	(281,397)	
Deferred outflows related to OPEB	10,267	
	<hr/>	312,339
Net position of governmental activities		<hr/> <hr/> \$ 3,595,575

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

CITY OF ELY, NEVADA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 82,941	\$ -	\$ 336,990	\$ 419,931
Licenses, permits and fees	201,831	-	-	201,831
Intergovernmental revenue	1,587,276	344,410	-	1,931,686
Charges for services	187,019	-	11,959	198,978
Fines and forfeitures	86,789	-	-	86,789
Other revenues	88,766	102	848	89,716
Total revenues	2,234,622	344,512	349,797	2,928,931
Expenditures				
Current:				
General government	195,604	-	-	195,604
Judicial	235,720	-	-	235,720
Public safety	1,195,424	-	67,560	1,262,984
Public works	128,984	-	-	128,984
Health and sanitation	140,477	-	-	140,477
Culture and recreation	131,682	-	-	131,682
Community support and development	62,522	-	-	62,522
Highway and streets	-	369,687	-	369,687
Debt service:				
Principal	-	-	54,731	54,731
Interest	-	-	24,315	24,315
Total expenditures	2,090,413	369,687	146,606	2,606,706
Excess (deficiency) of revenues over (under) expenditures	144,209	(25,175)	203,191	322,225
Other Financing Sources (Uses)				
Total other financing sources and uses	-	-	-	-
Net change in fund balances	144,209	(25,175)	203,191	322,225
Fund balances, beginning of year	329,067	60,907	722,451	1,112,425
Prior period adjustments	(19,874)	-	-	(19,874)
Fund balances, end of year	\$ 453,402	\$ 35,732	\$ 925,642	\$ 1,414,776

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

CITY OF ELY, NEVADA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$ 322,225
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	-	
Depreciation expense	(400,800)	
		(400,800)

Pension and OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension and OPEB liabilities are measured a year before the report date. Pension and OPEB expenses, which are the changes in the net pension and OPEB liabilities adjusted for changes in deferred outflows and inflows of resources related to pensions and OPEB, are reported in the statement of activities.

Pension contributions	148,913	
Pension expense	474,674	
OPEB contributions	10,267	
OPEB expense	(15,876)	
		617,978

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	54,780
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Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.	
The adjustment reflects the change in interest payable	1,787

Compensated absences expense 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.	(14,542)
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Change in net position of governmental activities	\$ 581,428
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The accompanying notes are an integral part of the financial statements.

CITY OF ELY, NEVADA
Statement of Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Water Fund	Sanitation Fund	Landfill Fund	Railroad Fund	Total Proprietary Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,492,897	\$ 1,929,496	\$ 2,294,470	\$ -	\$ 5,716,863
Receivables, net of allowance	124,779	86,868	119,975	-	331,622
Due from other funds	-	-	36,220	-	36,220
Due from other governments	-	-	8,753	-	8,753
Prepaid expense	1,264	-	-	-	1,264
Inventory	20,414	-	-	-	20,414
Total current assets	<u>1,639,354</u>	<u>2,016,364</u>	<u>2,459,418</u>	<u>-</u>	<u>6,115,136</u>
Noncurrent assets:					
Restricted cash and cash equivalents	1,598,012	829,726	783,084	-	3,210,822
Capital assets:					
Land and easements	125,646	-	14,832	1,700,000	1,840,478
Construction-in-progress	39,599	13,251	-	-	52,850
Treatment facilities and improvements	14,449,703	10,857,325	416,752	-	25,723,780
Machinery, equipment and vehicles	488,781	281,561	1,296,229	-	2,066,571
Less accumulated depreciation	(7,439,930)	(5,716,310)	(1,193,536)	-	(14,349,776)
Total noncurrent assets	<u>9,261,811</u>	<u>6,265,553</u>	<u>1,317,361</u>	<u>1,700,000</u>	<u>18,544,725</u>
Other assets:					
Non-service property	50,014	-	-	-	50,014
Less accumulated depreciation	(8,214)	-	-	-	(8,214)
Total other assets	<u>41,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,800</u>
Total assets	<u>10,942,965</u>	<u>8,281,917</u>	<u>3,776,779</u>	<u>1,700,000</u>	<u>24,701,661</u>
Deferred Outflow of Resources					
Deferred outflows related to pensions	132,241	103,342	218,897	-	454,480
Deferred outflows related to OPEB	2,275	2,122	3,610	-	8,007
Total deferred outflows	<u>\$ 134,516</u>	<u>\$ 105,464</u>	<u>\$ 222,507</u>	<u>\$ -</u>	<u>\$ 462,487</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 54,426	\$ 7,337	\$ 17,393	\$ -	\$ 79,156
Accrued liabilities	4,583	3,914	9,771	-	18,268
Accrued interest	3,896	6,525	-	-	10,421
Due to other funds	-	-	-	3,760	3,760
Customer Deposits	16,432	7,243	5,122	-	28,797
Current portion of noncurrent liabilities	37,018	36,449	20,767	-	94,234
Total current liabilities	<u>116,355</u>	<u>61,468</u>	<u>53,053</u>	<u>3,760</u>	<u>234,636</u>
Noncurrent liabilities:					
Compensated absences	46,611	44,965	97,168	-	188,744
Net OPEB obligation	33,518	31,268	53,188	-	117,974
Net pension liability	464,445	362,950	768,792	-	1,596,187
Bonds payable	794,680	1,482,903	-	-	2,277,583
Less current portion of noncurrent liabilities	(37,018)	(36,449)	(20,767)	-	(94,234)
Landfill closure/post closure costs	-	-	783,084	-	783,084
Total noncurrent liabilities	<u>1,302,236</u>	<u>1,885,637</u>	<u>1,681,465</u>	<u>-</u>	<u>4,869,338</u>
Total liabilities	<u>1,418,591</u>	<u>1,947,105</u>	<u>1,734,518</u>	<u>3,760</u>	<u>5,103,974</u>
Deferred Inflow of Resources					
Deferred inflows related to pensions	63,777	49,840	105,570	-	219,187
Total deferred inflows	<u>63,777</u>	<u>49,840</u>	<u>105,570</u>	<u>-</u>	<u>219,187</u>
Net Position					
Net investment in capital assets	6,910,919	3,952,924	534,277	1,700,000	13,098,120
Restricted for debt service	69,540	106,249	-	-	175,789
Restricted for capital improvements	1,528,472	723,477	-	-	2,251,949
Unrestricted	1,086,182	1,607,786	1,624,921	(3,760)	4,315,129
Total net position	<u>\$ 9,595,113</u>	<u>\$ 6,390,436</u>	<u>\$ 2,159,198</u>	<u>\$ 1,696,240</u>	<u>\$ 19,840,987</u>

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

CITY OF ELY, NEVADA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Railroad Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues					
Charges for services	\$ 1,134,511	\$ 1,046,620	\$ 1,008,780	\$ -	\$ 3,189,911
Operating expenses					
Salaries and wages	251,817	200,279	433,337	-	885,433
Employee benefits	386,484	340,037	594,283	-	1,320,804
Service, supplies and other	275,476	270,527	221,835	-	767,838
Landfill closure/post closure costs	-	-	64,493	-	64,493
Depreciation and amortization	321,147	237,427	94,451	-	653,025
Total operating expenses	1,234,924	1,048,270	1,408,399	-	3,691,593
Operating income (loss)	(100,413)	(1,650)	(399,619)	-	(501,682)
Nonoperating revenues (expenses)					
Interest income	3,176	4,145	4,234	-	11,555
Rent income	7,718	-	-	-	7,718
Miscellaneous income	20,178	23,917	56,164	-	100,259
System obligation fees	6,600	7,000	-	-	13,600
Grant revenue	645,237	-	-	-	645,237
Interest expense	(40,108)	(71,716)	-	-	(111,824)
Miscellaneous expense	(280,544)	-	-	-	(280,544)
Total nonoperating revenues (expenses)	362,257	(36,654)	60,398	-	386,001
Income before transfers	261,844	(38,304)	(339,221)	-	(115,681)
Transfers	-	-	-	-	-
Change in net position	261,844	(38,304)	(339,221)	-	(115,681)
Total net position, beginning of year	9,371,513	6,459,408	2,566,882	1,696,240	20,094,043
Restatement adjustments	(38,244)	(30,668)	(68,463)	-	(137,375)
Total net position, end of year	<u>\$ 9,595,113</u>	<u>\$ 6,390,436</u>	<u>\$ 2,159,198</u>	<u>\$ 1,696,240</u>	<u>\$ 19,840,987</u>

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

CITY OF ELY, NEVADA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Water Fund	Sanitation Fund	Landfill Fund	Railroad Fund	Total Proprietary Funds
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 1,218,204	\$ 1,062,303	\$ 1,027,225	\$ -	\$ 3,307,732
Cash paid to employees	(386,669)	(309,395)	(668,271)	-	(1,364,335)
Cash paid to suppliers	(225,880)	(360,041)	(208,031)	-	(793,952)
Net cash flows from operating activities	<u>605,655</u>	<u>392,867</u>	<u>150,923</u>	<u>-</u>	<u>1,149,445</u>
Cash Flows From Noncapital Financing Activities:					
Cash received from grants	645,237	-	-	149,937	795,174
Cash received from miscellaneous sources	20,178	23,917	56,164	-	100,259
Cash received from rental payments	7,718	-	-	-	7,718
Cash transferred (to) from other funds	-	-	256,094	(149,937)	106,157
Cash paid for grant activities	(280,544)	-	-	-	(280,544)
Net cash flows from noncapital financing activities	<u>392,589</u>	<u>23,917</u>	<u>312,258</u>	<u>-</u>	<u>728,764</u>
Cash Flows From Capital and Related Financing Activities:					
Cash received from system obligations	6,600	7,000	-	-	13,600
Principal paid on capital debt	(29,432)	(34,532)	-	-	(63,964)
Interest paid on capital debt	(40,108)	(71,716)	-	-	(111,824)
Acquisition and construction of capital assets	(688,784)	(307,572)	(38,063)	-	(1,034,419)
Net cash flows from capital and related financing activities	<u>(751,724)</u>	<u>(406,820)</u>	<u>(38,063)</u>	<u>-</u>	<u>(1,196,607)</u>
Cash Flows From Investing Activities:					
Interest on investments	3,176	4,145	4,234	-	11,555
Net change in cash and cash equivalents	249,696	14,109	429,352	-	693,157
Cash and investments, including restricted cash, beginning of year	<u>2,841,213</u>	<u>2,745,114</u>	<u>2,648,202</u>	<u>-</u>	<u>8,234,529</u>
Cash and Cash Equivalents, Including Restricted Cash , End of Year	<u><u>\$ 3,090,909</u></u>	<u><u>\$ 2,759,223</u></u>	<u><u>\$ 3,077,554</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,927,686</u></u>
Reconciliation of operating income to net cash flows from operating activities:					
Operating income (loss)	\$ (100,413)	\$ (1,650)	\$ (399,619)	\$ -	\$ (501,682)
Adjustments to reconcile net income (loss) to net cash provided by operating activities					
Depreciation/amortization	321,147	237,427	94,451	-	653,025
Employer Pension Contributions	212,450	188,989	293,939	-	695,378
Employer OPEB Contributions	(3,516)	(3,282)	(5,580)	-	(12,378)
Changes in operating assets, liabilities and deferred inflows and outflows:					
(Increase) decrease in receivables	83,693	12,407	18,445	-	114,545
Increase (decrease) in accounts payable	45,899	(89,514)	8,415	-	(35,200)
Increase (decrease) in accrued liabilities	551	249	1,866	-	2,666
Increase (decrease) in customer deposits	3,697	3,276	3,523	-	10,496
Increase (decrease) in compensated absences payable	42,147	44,965	70,990	-	158,102
Increase (decrease) in landfill closure/post closure liability	-	-	64,493	-	64,493
Net cash flows from operating activities	<u><u>\$ 605,655</u></u>	<u><u>\$ 392,867</u></u>	<u><u>\$ 150,923</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,149,445</u></u>

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

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Description of 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 of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City of Ely (government) is a municipal corporation governed by an elected mayor and five-member governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Blended component unit. The City of Ely Redevelopment Agency (Agency) serves all the citizens of the government and is governed by a board comprised of the mayor and the city's elected council. The Agency was established in fiscal year 2005 as a separate and distinct legal entity to plan and finance revitalization projects in the City's redevelopment districts in order to provide a diversified and strengthened economy in specified areas of the City. The Agency's activities are approved by the government's council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from any other remedies. The Authority is reported as an special revenue fund.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

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

The government reports the following major governmental funds:

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

The **Street Fund** accounts for the receipt of fuel taxes and other revenues dedicated to funding the repairs, maintenance, and new construction of city streets and alleys.

The government reports the following major enterprise funds:

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

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

The **Landfill Fund** accounts for the activities and transactions related to the operation of the regional landfill for all White Pine County residents. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing and related debt service and billing and collection.

The **Railroad Fund** accounts for capital projects and other activity related to railroad lines owned by the City and the Nevada Northern Railway Foundation.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. 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.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

Property taxes, franchise taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. This is the same definition of cash and cash equivalents used for the statement of cash flows for the City's proprietary funds.

Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain farm loan bonds, certain securities issued by Nevada local governments, repurchase agreements, banker's acceptances, commercial paper, negotiable certificates of deposit, and money market mutual funds. Investments for the government are reported at fair value, generally based on quoted market prices. See note 5 for further details.

Receivables

The City's proprietary funds bill for services provided on a monthly basis. The City records revenues on a monthly basis as the revenue is earned. The City has recognized and recorded allowance for doubtful accounts on amounts with significant uncertainty regarding its collectability. The reported receivable funds are net allowances of \$7,243 for the water fund, \$12,367 for the sewer fund, and \$321,065 for the landfill fund.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,500 and an estimated useful life of two or more years.

In the case of the initial capitalization of general infrastructure assets (i.e., those re-reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Building and improvements	5 to 40 years
Improvements other than buildings	5 to 50 years
Machinery and vehicles	5 to 15 years
Infrastructure	15 to 25 years

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has two types of items that qualify for reporting in this category, pension related items (see Note 8) and other post-employment benefits related items (see Note 14).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item which qualifies for reporting in this category, pension related items (see Note 8).

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The city council (council) has by resolution authorized the city clerk to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

The White Pine County Assessor assesses all real property by December 31, of each year. The County Treasurer bills and collects the City's share of property taxes. The County Treasurer remits, on a monthly basis, current and delinquent property tax collections to the City.

The Nevada Department of Taxation provides the maximum allowable tax rates for operating purposes to local governments for inclusion in their budgets. Each local government that receives property taxes must file a budget on or before June 1st, which provides for the allowable tax rate for the next fiscal year. The Nevada Tax Commission must certify all tax rates on June 25th, the levy date, and property is lien on July 1st. Taxes on real property are due on the third Monday in August of each year and may be paid in quarterly installments on or before the third Monday in August, and the first Monday in October, January and March. In the event of nonpayment, the County Treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties, and costs, together with interest at the rate of 15 percent per year from the date the taxes were due (if four or more installments were delinquent), 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 the deed, the County Treasurer may sell the property to satisfy the tax lien and assessments by local governments for improvements to the property.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies, Continued

For the fiscal year 2017-2018, the allowable tax rates in White Pine County exceeded the maximum combined tax rate (\$3.66). The City of Ely exchanged its tax rate for an increased share of the County's consolidated tax, in accordance with state statute, thereby allowing the other entities in White Pine County to assess their rates County wide

Compensated absences

Vacation and Sick-leave

The city's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Accumulated sick leave lapses when employees leave the employ of the city. Upon separation from service due to retirement specified amounts are paid to the retiring employees. No monetary obligation exists for other termination of employment.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 water fund, sanitation fund, and land fill fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of estimates

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

Comparative data

Comparative data shown for the prior year has been extracted from the 2016-2017 financial statements and reclassified where necessary. It has been provided to add comparability but is not considered full disclosure of transactions for 2016-2017. Such information can only be obtained by referring to the audited financial statements for that year. Prior-year balances are reclassified to conform to the current-year presentation as applicable.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

NOTE 3. Stabilization Fund

NRS 354.6115 states that the governing body of a local government may, by resolution, establish a fund to stabilize the operation of the local government and mitigate the effects of natural disasters. In accordance with GASBS 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City's stabilization fund is included in the General Fund, as restricted fund balance, for the year ended June 30, 2018. The NRS also states that the money in this fund may be used only if the total actual revenue of the local government falls short of the total anticipated revenue in the general fund for the fiscal year in which the local government uses that money; or to pay expenses incurred by the local government to mitigate the effects of a natural disaster.

In addition, NRS 354.6115 states that the balance in the stabilization amount must not exceed 10 percent of the expenditures from the general fund for the previous fiscal year, excluding any federal funds expended by the local government.

During the fiscal year ended June 30, 2018, the City complied with the provisions of this section.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 4. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are legally adopted for all funds and use a basis of accounting consistent with accounting principles generally accepted in the United States of America.

Prior to April 15, the City Treasurer submits a tentative budget for the ensuing fiscal year to the City Council, the Nevada State Department of Taxation, and the Citizens via public hearings. The Nevada State Department of Taxation notifies the City Council of whether or not the budget is in compliance with the law and appropriate regulations. All changes to the tentative budget are made at the Public hearing conducted on the third Tuesday in May. The City Council adopts the budget prior to June 1, and submits it to the Department of Taxation for final approval. The revenue classifications and expenditure functions shown in the fund financial statements are those prescribed by the Nevada Department of Taxation.

All revisions to the adopted budget are made a matter of public record by actions of the City Council. Per Nevada law, the City Treasurer is authorized to transfer budgeted amounts within functions (General Fund) or funds, if the City Council is notified at the next regular meeting, and the action is noted in the official minutes. Revisions which affect the total fund appropriations, or transfers between funds, are accomplished through formal City Council approval. No supplemental appropriations were approved for the year. Nevada Law requires budgetary control to be exercised at the function level.

The City had no departments in the General Fund with expenditures in excess of budgeted amounts for the year ended June 30, 2018. Further detail can be found in the Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual for the General Fund.

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CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 5. Cash and Investments

A reconciliation of cash deposits and investments to the government-wide statement of net position as follows:

CASH AND CASH EQUIVALENTS HELD BY:	
Government Funds - Unrestricted	\$ 536,210
Proprietary Funds - Unrestricted, designated	2,832,715
Proprietary Funds - Unrestricted	2,884,148
Subtotal	<u>6,253,073</u>
Government Funds - Restricted	675,464
Proprietary Funds - Restricted	3,210,822
Subtotal	<u>3,886,286</u>
Total	<u><u>\$ 10,139,359</u></u>
 REPRESENTED BY:	
Cash on Hand	<u>\$ 500</u>
Demand deposits accounts:	
First National Bank	<u>2,905,606</u>
Cash and Deposits	<u>2,906,106</u>
Investments:	
First National Bank of Ely, Market Interest Account	7,229,528
Nevada Local Government Investment Pool	<u>3,725</u>
Total Investments	<u>7,233,253</u>
Total Cash and Investments	<u><u>\$ 10,139,359</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned. The City does not have a formal policy for custodial credit risk. As of June 30, 2018, the City's bank balance of \$10,019,766 was covered in the amount of \$500,000 by federal depository insurance and the remainder was subject to collateralization by the office of the State Treasurer/Nevada Collateral Pool.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 5. Cash and Investments, Continued

Investments

The Nevada State Treasurer's Office operates the Local Government Pooled Investment Fund (LGPIF). The LGPIF is available for investment of funds administered by any Nevada Public Treasurer.

The LGPIF is not registered with the SEC as an investment company. Deposits in the LGPIF are not insured or otherwise guaranteed by the State of Nevada, and participants share proportionally in any realized gain or losses on investments.

The provisions of State Law (NRS 355.170) govern the investment of public funds as noted in Footnote 1.

As of June 30, 2018 the government had the following investments:

<u><i>Investments:</i></u>	<u><i>Fair Value</i></u>	<u><i>Credit Rating (1)</i></u>		<u><i>Weighted Average Maturity (2)</i></u>
		<u><i>S&P</i></u>	<u><i>Moody's</i></u>	
Investment in Nevada Local Government Investment Pool	\$ 3,725	N/A	N/A	142 day average
First National Bank of Ely, Market Interest Account	<u>7,229,528</u>	N/A	N/A	Demand
Total Investments	<u><u>\$ 7,233,253</u></u>			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Of the City's investments, 27.52% of the Nevada Local Government Pooled Investment Fund, as listed above, are valued using quoted market prices (Level 1 inputs). The money market interest account and 72.48% of the Nevada Local Government Pooled Investment Fund, as listed above, are valued using significant other observable inputs (Level 2 inputs).

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 5. Cash and Investments, Continued

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to items noted in the summary of significant accounting policies, Footnote 1. The city has no investment policy that would further limit its investment choices at June 30, 2018. The investments in the Local Government investment Pool are unrated. The investments in the First National Bank of Ely market interest accounts are covered by FDIC insurance and collateral held by a third party agent, but are unrated.

Concentration of Credit Risk

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

Cash Restricted for Special Uses

The City maintains restricted cash to comply with various legal and contractual requirements. Amounts restricted are as follows at June 30, 2018:

Governmental Funds

Capital Projects	
2005 Fire Station Bond Reserve	\$ 23,276
Cout Assessment Fund	6,460
Restricted for Specific Purposes	<u>645,728</u>
Total Governmental Funds	<u><u>\$ 675,464</u></u>

Proprietary Funds

Municipal Water Department Fund	
1996 Water Revenue Bond Reserve	\$ 69,540
Capital Improvement Fee	1,528,472
Sanitation Fund	
2001 Sewer Revenue Bond Reserve	106,249
Capital Improvement Fee	723,477
Sanitary Landfill Fund	
Closure/Post Closure	<u>783,084</u>
Total Proprietary Funds	<u><u>\$ 3,210,822</u></u>

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 5. Cash and Investments, Continued

Cash Designated for Specific Uses

The City has authorized the funding of replacement equipment, for the Enterprise Funds, based on depreciation of those assets. Cash is set aside each year, up to the depreciation expense for those assets, and held until it is needed for replacement purposes. In addition, the Water Board adopted a policy to designate all system obligation connection fees for future plant improvements. \$2,160 was added for the Water Department fund depreciation account; \$3,346 was added to the Sanitation fund depreciation account and \$170,317 was added to the Landfill fund depreciation account. No replacement projects utilized previously accumulated funds during fiscal year 2018.

Amounts designated for future improvements at June 30, 2018 are as follows:

Water Fund	
Funded depreciation and system obligation	\$ 802,210
Sanitation Fund	
Funded depreciation and system obligation	1,241,801
Landfill Fund	
Funded depreciation	788,704
Total designated for future use	<u><u>\$ 2,832,715</u></u>

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CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 6. Capital Assets

Governmental capital asset activity for the year ended June 30, 2018 was as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Capital assets, not being depreciated:					
Land	\$ 275,931	\$ -	\$ -	\$ -	\$ 275,931
Construction in progress	413,917	-	(413,917)	-	-
Total capital assets not being depreciated	689,848	-	(413,917)	-	275,931
Capital assets, being depreciated:					
Streets	6,522,959	-	-	-	6,522,959
Flood control	1,016,736	-	-	-	1,016,736
Improvements other than buildings	882,770	-	-	-	882,770
Buildings	1,672,601	-	-	-	1,672,601
Vehicles and equipment	3,171,109	413,917	-	-	3,585,026
Total capital assets being depreciated	13,266,175	413,917	-	-	13,680,092
Less accumulated depreciation for:					
Streets	5,034,931	114,623	-	-	5,149,554
Flood control	864,156	9,456	-	-	873,612
Improvements other than buildings	254,261	41,036	-	-	295,297
Buildings	915,734	50,653	-	-	966,387
Vehicles and equipment	1,690,207	185,032	-	-	1,875,239
Total accumulated depreciation	8,759,289	400,800	-	-	9,160,089
Governmental activities, net	\$ 5,196,734	\$ 13,117	\$ (413,917)	\$ -	\$ 4,795,934

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

General government	\$ 27,967
Judicial	6,847
Public safety	149,983
Public works	64,157
Health and sanitation	10,495
Culture and recreation	26,728
Streets and highways	114,623
Total depreciation expense - governmental activities	<u>\$ 400,800</u>

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 6. Capital Assets, Continued

Business-type capital asset activity for the year ended June 30, 2018 was as follows:

Water Fund

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Assets					
Land	\$ 125,646	\$ -	\$ -	\$ -	\$ 125,646
Construction in progress	39,599	-	-	-	39,599
Buildings	175,445	-	-	-	175,445
Georgetown Ranch	50,014	-	-	-	50,014
Improvements	13,585,474	688,784	-	-	14,274,258
Vehicles and equipment	488,781	-	-	-	488,781
Total capital assets	<u>14,464,959</u>	<u>688,784</u>	<u>-</u>	<u>-</u>	<u>15,153,743</u>
Less accumulated depreciation for:					
Buildings	116,457	2,376	-	-	118,833
Georgetown Ranch	8,214	-	-	-	8,214
Improvements	6,583,479	310,213	-	-	6,893,692
Vehicles and equipment	418,847	8,558	-	-	427,405
Total accumulated depreciation	<u>7,126,997</u>	<u>321,147</u>	<u>-</u>	<u>-</u>	<u>7,448,144</u>
Water fund assets, net	<u>\$ 7,337,962</u>	<u>\$ 367,637</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,705,599</u>

Sanitation Fund

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2018</u>
Assets					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	13,251	-	-	-	13,251
Sewer system	4,112,472	-	-	-	4,112,472
Treatment plant	3,046,724	307,573	-	-	3,354,297
Vehicles and equipment	281,561	-	-	-	281,561
Wastewater treatment plant	3,390,556	-	-	-	3,390,556
Total capital assets	<u>10,844,564</u>	<u>307,573</u>	<u>-</u>	<u>-</u>	<u>11,152,137</u>
Less accumulated depreciation for:					
Sewer system	1,731,357	99,709	-	-	1,831,066
Treatment plant	2,282,196	30,083	-	-	2,312,279
Vehicles and equipment	185,052	19,718	-	-	204,770
Wastewater treatment plant	1,280,278	87,917	-	-	1,368,195
Total accumulated depreciation	<u>5,478,883</u>	<u>237,427</u>	<u>-</u>	<u>-</u>	<u>5,716,310</u>
Sewer fund assets, net	<u>\$ 5,365,681</u>	<u>\$ 70,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,435,827</u>

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 6. Capital Assets, Continued

Landfill Fund	June 30, 2017	Additions	Deletions	Transfers	June 30, 2018
Assets					
Land	\$ 14,832	\$ -	\$ -	\$ -	\$ 14,832
Construction in progress	-	-	-	-	-
Buildings	416,752	-	-	-	416,752
Vehicles and equipment	1,258,164	40,457	-	-	1,296,229
Total capital assets	1,689,748	40,457	-	-	1,727,813
Less accumulated depreciation for:					
Buildings	92,148	32,428	-	-	124,576
Vehicles and equipment	1,007,045	61,915	-	-	1,068,960
Total accumulated depreciation	1,099,193	94,343	-	-	1,193,536
Landfill fund assets, net	\$ 590,555	\$ (53,886)	\$ -	\$ -	\$ 534,277
Railroad Fund					
Assets					
Land and right-of-way	\$ 1,700,000	\$ -	\$ -	\$ -	\$ 1,700,000
Construction in progress	-	-	-	-	-
Total capital assets	1,700,000	-	-	-	1,700,000
Railroad fund assets, net	\$ 1,700,000	\$ -	\$ -	\$ -	\$ 1,700,000
Total business-type activities, net	\$ 14,994,198	\$ 383,897	\$ -	\$ -	\$ 15,375,703

Depreciation expense was charged to the business-type functions/programs of the City as follows:

Business-Type Activities:	
Water	\$ 321,147
Sewer	237,427
Landfill	94,343
Total depreciation expense - business-type activities	<u>\$ 652,917</u>

The City has two asset acquired through capital leases. The cost of the assets is \$450,443 and 171,600 with total accumulated depreciation of \$267,699.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-Term Liabilities

The following is a summary of long-term liabilities for the year ended June 30, 2018:

	Date of Issue	Original Amount of Issue	Interest Rate	Interest Paid During Period	Balance 6/30/2017	Additions	Reductions	Balance 6/30/2018	Payments Due 2018/2019		Year of Final Payment
									Principal	Interest	
Governmental Activities											
Notes Payable:											
Capital Projects Fund:											
Fire Station Bond, Series 2005	9/28/2005	\$ 463,109	4.13%	\$ 12,225	\$ 302,529	\$ -	\$ 17,560	\$ 284,969	\$ 18,298	\$ 11,438	2031
Capital Lease Payable:											
Fire Protection/Street Improvement Fund:											
Fire Truck	6/1/2008	450,443	5.86%	9,055	175,988	-	23,624	152,364	24,839	7,839	2024
Ambulance	5/15/2017	134,500	2.37%	3,035	133,385	-	13,596	119,789	13,938	2,694	2025
		<u>\$ 1,048,052</u>		<u>\$ 24,315</u>	611,902	-	54,780	557,122	<u>\$ 57,075</u>	<u>\$ 21,971</u>	
Compensated absences					149,346	69,472	54,930	163,888			
Other post employment benefits (beginning balance restated)					167,127	-	15,869	151,258			
Net pension liability					3,125,183	-	1,075,972	2,049,211			
Governmental Activity Long-Term Liabilities					<u>\$ 4,053,558</u>	<u>\$ 69,472</u>	<u>\$ 1,201,551</u>	<u>\$ 2,921,479</u>			
Business-Type Activities											
Enterprise Funds:											
Bonds Payable:											
Sewer Revenue Bond, Series 2001	9/12/2001	\$ 1,900,000	4.75%	\$ 71,716	\$ 1,517,435	\$ -	\$ 34,532	\$ 1,482,903	\$ 36,449	\$ 69,799	2042
Water Revenue Bond, Series 1996	1/29/1996	1,189,800	5.00%	40,108	824,112	-	29,432	794,680	30,537	39,003	2035
		<u>\$ 3,839,800</u>		<u>\$ 111,824</u>	2,341,547	-	63,964	2,277,583	<u>\$ 66,986</u>	<u>\$ 108,802</u>	
Compensated absences					30,642	158,102	-	188,744			
Other post employment benefits (beginning balance restated)					130,351	-	12,377	117,974			
Net pension liability					881,463	714,724	-	1,596,187			
Business-Type Activity Long-Term Liabilities					<u>\$ 3,384,003</u>	<u>\$ 872,826</u>	<u>\$ 76,341</u>	<u>\$ 4,180,488</u>			

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-Term Liabilities, Continued

Special Revenue Bonds

The City issued \$1,189,800 of 5.00% Water Bonds, Series 1996, in the form of proceeds from a loan from U.S. Department of Agriculture, Rural Economic Development. Proceeds were used to refund the interim water revenue bonds, which were used to fund the Southside Water Project. The City has pledged income derived from the constructed assets to pay the debt service.

Revenue bond debt service requirements to maturity are as follows:

Revenue - Water Bond Debt Service

Period Ending June 30	Interest Rate	Principal	Interest	Total
2019	5.00%	\$ 30,537	\$ 39,003	\$ 69,540
2020	5.00%	31,996	37,544	69,540
2021	5.00%	33,736	35,804	69,540
2022	5.00%	35,462	34,078	69,540
2023	5.00%	37,277	32,263	69,540
2024-2028	5.00%	216,857	130,843	347,700
2029-2033	5.00%	278,436	69,264	347,700
2033-2036	5.00%	130,379	6,882	137,261
		<u>\$ 794,680</u>	<u>\$ 385,681</u>	<u>\$ 1,180,361</u>

The City issued \$1,900,000 of 4.75% Sewer Bonds, Series 2001, in the form of proceeds from a loan from U.S. Department of Agriculture, Rural Economic Development. Proceeds were used to refund interim sewer bonds, which were used to fund the Waste Water Treatment Project. The City has pledged income derived from the constructed assets to pay the debt services.

Revenue sewer bond debt service requirement to maturity are as follows:

Revenue - Sewer Bond Debt Service

Period Ending June 30	Interest Rate	Principal	Interest	Total
2019	4.75%	\$ 36,449	\$ 69,799	\$ 106,248
2020	4.75%	38,031	68,217	106,248
2021	4.75%	40,065	66,183	106,248
2022	4.75%	42,010	64,238	106,248
2023	4.75%	44,049	62,199	106,248
2024-2028	4.75%	254,139	277,101	531,240
2029-2033	4.75%	322,342	208,898	531,240
2034-2038	4.75%	408,599	122,641	531,240
2039-2042	4.75%	297,219	22,833	320,052
		<u>\$ 1,482,903</u>	<u>\$ 962,109</u>	<u>\$ 2,445,012</u>

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-Term Liabilities, Continued

Deed of Trust, Fire Station

A loan was secured from the U.S. Department of Agriculture, Rural Economic Development for the completion of the new fire station. The loan is secured by a Deed of Trust on the fire station. The terms of the note are 25 years with payments of \$2,477.63 per month, including interest at 4.125%.

Fire Station Deed of Trust Debt Service

Period Ending June 30	Interest Rate	Principal	Interest	Total
2019	4.125%	\$ 18,298	\$ 11,438	\$ 29,736
2020	4.125%	19,040	10,696	29,736
2021	4.125%	19,870	9,866	29,736
2022	4.125%	21,139	8,597	29,736
2023	4.125%	22,029	7,707	29,736
2024-2028	4.125%	124,824	23,856	148,680
2029-2031	4.125%	59,769	2,514	62,283
		<u>\$ 284,969</u>	<u>\$ 74,674</u>	<u>\$ 359,643</u>

Capital Leases

The City of Ely agreed to lease a 75 foot aerial ladder truck. The lease began June 1, 2008, and required the first lease payment of \$115,000 to be paid upon delivery, which was January 27, 2009. The City has agreed to pay an additional 15 annual lease payments of \$32,679 beginning October 1, 2009 and ending October 1, 2023. The City may end the lease any year by not appropriating funds for the lease and returning the equipment or by paying the purchase option price each October 1st as stated in the lease.

The future minimum lease payment for the above capital lease and the present value of net minimum lease payment at June 30, 2018, is as follows:

Fire Truck Capital Lease

Period Ending June 30	Lease Payments	Amount Representing Principal	Amount Representing Interest
2019	\$ 32,678	\$ 24,839	\$ 7,839
2020	32,678	26,117	6,561
2021	32,678	27,461	5,218
2022	32,679	28,874	3,805
2023	32,679	30,359	2,319
2024	15,465	14,714	751
	<u>\$ 178,857</u>	<u>\$ 152,364</u>	<u>\$ 26,493</u>

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 7. Long-Term Liabilities, Continued

The City of Ely agreed to lease an ambulance. The lease began May 15, 2017, and required the first monthly lease payment of \$1,386 be paid by June 15, 2017. The lease is to be paid in full by May 15, 2026.

The future minimum lease payment for the above capital lease and the present value of net minimum lease payment at June 30, 2018, is as follows:

Ambulance Lease			
Period Ending June 30	Lease Payments	Amount Representing Principal	Amount Representing Interest
2019	\$ 16,632	\$ 13,938	\$ 2,694
2020	16,632	14,266	2,366
2021	16,632	14,615	2,017
2022	16,632	14,966	1,666
2023	16,632	15,326	1,306
2024-2026	48,285	46,678	1,607
	<u>\$ 131,445</u>	<u>\$ 119,789</u>	<u>\$ 11,656</u>

For governmental activities, compensated absences, other post-employment benefits (OPEB), and net position liabilities are generally liquidated through the General Fund.

The lawful City general obligation debt limit is established under NRS 266.600 and is not to exceed 30 percent of the total last assessed valuation of the taxable property of the City. The general obligation debt limit was \$19,224,307. The City has no general obligation debt outstanding at June 30, 2018; therefore, the City is within the legal limit.

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CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 8. Defined Benefit Pension Plan

Public Employees' Retirement System of Nevada (PERS)

Plan description

PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both Regular and Police/Fire members. The System was established by the Nevada Legislature in 1947, effective July 1, 1948. The System is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System 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 the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the system after July 1, 2015, there is a 2.25% factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

Vesting

Regular members entering the system prior to January 1, 2010, 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 the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members entering the system on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, at age 62 with 10 years of service, at age 55 with thirty years of service, or any age with thirty three and one third years of service.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 8. Defined Benefit Pension Plan, Continued

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

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

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

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

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

The 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 contributions requirement as a percentage of salary.

For the fiscal years ended June 30, 2018 and June 30, 2017 the Statutory Employer/employee matching rate was 14.5% for Regular and 20.75% for Police/Fire. The Employer-pay contribution (EPC) rate was 28% for Regular and 40.50% for Police/Fire.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 8. Defined Benefit Pension Plan, Continued

The City's contributions for the current and two preceding fiscal years, all of which were equal to the required contributions, were as follows:

Fiscal Year Ended June 30	Regular Members	Police/Fire	Total Contributions
2018	28.00%	40.50%	\$ 264,907
2017	28.00%	40.50%	246,365
2016	28.00%	40.50%	252,435
2015	25.75%	40.50%	220,982

Investment policy

The System's policies which determine the investment portfolio target asset allocation are established by the 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 Board adopted policy target asset allocation as of June 30, 2017:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return*
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

*As of June 30, 2017, PERS' long-term inflation assumption was 2.75%.

Pension liability

Net pension liability

The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2017. The City's proportion measured as of June 30, 2017, was 0.02773 percent, which was an decrease of 0.002363 percent from its proportion measured as of June 30, 2016.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 8. Defined Benefit Pension Plan, Continued

Pension liability discount rate sensitivity

The following presents the net pension liability of the PERS as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current discount rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	\$ 5,510,959	\$ 3,645,398	\$ 2,096,184

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website www.nvpers.org.

Actuarial assumptions

The City's net pension liability was measured as of June 30, 2017, 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	2.75%
Payroll growth	5.00%, including inflation
Investment rate of return	7.50%
Productivity pay increase	0.5%
Projected salary increases	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 9.15%, depending on service Rates include inflation and productivity increases
Consumer Price Index	2.75%
Other assumptions	Same as those used in the June 30, 2017 funding actuarial valuation

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of the experience review completed in 2017.

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 8. Defined Benefit Pension Plan, Continued

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2017. 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, 2017, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Pension expense and deferred outflows/inflows of resources related to pensions

For the year ended June 30, 2018, the City recognized pension expense for PERS of \$409,765. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 239,212
Changes in assumptions	241,837	-
Net difference between projected and actual earnings on pension plan investments	23,669	-
Subtotal	<u>265,506</u>	<u>239,212</u>
Changes in proportion and differences between contributions and proportional share of contributions	507,536	261,372
Contributions subsequent to the measurement date	264,907	-
Total	<u><u>\$ 1,037,949</u></u>	<u><u>\$ 500,584</u></u>

The \$264,907 reported as deferred outflows of resources related to PERS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2019	\$ (65,372)
2020	84,625
2021	21,855
2022	(59,588)
2023	30,812
Thereafter	13,963

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 9. Closure and Post-Closure Care Cost

State and Federal laws and regulations require the City to place a final cover on its landfill when closed and to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized, based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs are based on a regulatory formula (NAC 444.6853). The estimated total current cost of the landfill closure and post-closure care (\$3,418,454) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2018, as adjusted for inflation. It is estimated that an additional \$2,656,134 will be recognized as closure and post-closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2070). The estimated liability for landfill closure and post-closure care costs has a balance of \$783,084 as of June 30, 2018, which is based on 22.90% usage (filled) of the landfill. Expenses and liabilities are based on what it would cost to perform all closure and post closure care for the landfill in 2018, the actual cost of closure and post-closure care may be higher due to changes in technology or changes in landfill laws and regulations.

The City is required by State and Federal laws and regulations to provide assurance that it will be able to finance closure and post-closure care costs. The City has recognized the liability for closure and post-closure care and has set the required funds aside in a Money Market account held at First National Bank of Ely. The investment account balance as of June 30, 2018 was \$783,084.

NOTE 10. Risk Management

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

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

The City pays an annual premium and specific deductibles, as necessary, to NPAIP for its general insurance coverage, which includes its component unit. NPAIP is considered a self-sustaining risk pool that will provide coverage for its members up to \$200,000 per insured event for property and crime claims and \$500,000 for casualty claims. NPAIP obtains independent coverage for insured events in excess of these self-insured retentions.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 10. Risk Management, Continued

The second pool is the Public Agency Compensation Trust (PACT), which was created April 1, 1997. This pool is a public entity risk pool which provides workers' compensation coverage.

The City pays an annual premium to PACT for its workers' compensation coverage. PACT is considered a self-sustaining risk pool that will provide coverage for its members up to \$350,000 (\$750,000 for public safety employees) per insured event. PACT obtains independent coverage for insured events in excess of the \$350,000/\$750,000 limit.

NOTE 11. Ely Railroad Fund

The rail line from the old Kennecott mine to Cobre Junction is now owned by the City and the Nevada Northern Railway Foundation. The City received deeds to the land comprising the right-of-way from the United States government acting through the Bureau of Land Management.

The rail line from the old Kennecott mine to mile marker 128 is used by the Nevada Northern Railway Foundation to operate a historic tourist train and museum. This portion of the rail line is recorded on the Foundation's books as the day-to-day control lies with the Foundation. The balance of the rail line is recorded on the City's records in the Ely Railroad Enterprise Fund.

The City, the Foundation and the coal plant developers have entered into a joint development agreement to pursue the future development of the rail line for the benefit of all economic interests in the City of Ely and White Pine County.

The development of the coal fired electrical generation plants is suspended and future development of the plants is uncertain.

NOTE 12. City Water Flow Mitigation

The City experienced a decrease in the flow of its main water source when a nearby mine began dewatering efforts to increase the amount of available ore. The mine is mitigating the effects of the decreased water flow by rehabilitating the old City wells and drilling new wells. The mine has agreed to pay all costs of rehabilitation and to pay all additional pumping costs associated with the temporary substitution of subsurface water rights for the existing surface water rights. The mine has further agreed to pay the additional costs for a period of up to 25 years after the dewatering has ceased and to create a fund to guarantee the payment of the additional costs. The fund is being administered as a trust with a banking institution mutually agreed to by both parties, with an appointed trustee. The trust funding goal is \$3,750,000, exclusive of accumulating interest, which was reached for complete funding in the year ending June 30, 2017. The funding of the trust is occurring according to the agreement.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 13. S&S Shortline Leasing LLC

The City and the Nevada Northern Railway Foundation have entered into a joint development agreement with S&S Shortline Leasing LLC for development of a rail car facility on the rail line at or near Shafter Junction and Cobre Junction. The line has been rehabilitated and is available for rail car storage. The City and the Ely Railroad Enterprise fund have no obligation for the rehabilitation costs. S&S Shortline Leasing LLC does not have financial statements available.

NOTE 14. Post-Employment Benefits Other than Pensions

The City contributes to an agent multiple-employer defined benefit postemployment healthcare plan, Public Employees' Benefits Plan (PEBP). The plan provides medical insurance, life insurance, dental, and vision benefits to eligible retired City employees and beneficiaries.

Benefit provisions for PEBP are administered by the State of Nevada. NRS 287.043 assigns the authority to establish and amend benefit provisions to the PEBP nine-member board of trustees.

Benefits provided

PEBP closed to non-State public agency retirees on September 1, 2008 unless the agency's active employees are participating in PEBP. However, the City is responsible for a portion of the PEBP subsidy for a former employee retiring after September 1, 2008 from the State or from a Non-State public agency whose active employees participate in PEBP. For a retiree to participate in the PEBP program, the participant must be receiving a PERS benefit. PERS eligibility requirements vary by employee group and benefit type.

Those retirees and former employees who were eligible and elected PEBP coverage are entitled to a subsidy toward their premium cost based on their years of covered employment under Nevada PERS. The subsidy is shared on a pro-rata basis by the employers for which the retiree has worked and earned PERS service credit. Thus, the City is obligated to subsidize health care premiums for former employees as well as those who retired directly from the City.

The Nevada Legislature changes the benefit subsidies from time to time. The monthly subsidy continues to be based on years of credited service under Nevada PERS, though the level differs for pre-Medicare and Medicare eligible retirees. The subsidy ends at the earlier of the retiree's death or the date he or she discontinues coverage.

There are exceptions to the amounts shown below:

- (a) Participants who retired before January 1, 1994 receive the 15 year subsidy, regardless of their years of covered service and
- (b) Participants do not receive a subsidy if they were hired by their last employer on or after January 1, 2010, retired with less than 15 years of service and were not disabled.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 14. Post-Employment Benefits Other than Pensions, Continued

Agency subsidy for PEBP coverage for non-state pre-medicare retirees: The subsidy provided to pre-Medicare retirees varies based on the type of plan selected (PPO or HMO) and by the level of coverage taken (e.g., single, two party, family, etc.). The chart below shows our understanding of monthly amounts payable beginning July 2017 for those with 15 years of PERS service. Actual pre-Medicare subsidies for July 2017, as invoiced to the District by individual, were used for the valuation.

Coverage Level	PPO CDHP	Standard HMO	Alternate HMO
	15 Years of PERS Service		
Retiree Only	\$ 709.19	\$ 429.26	\$ 412.43
Retiree + Spouse	1,158.03	678.83	645.18
Retiree + Child(ren)	1,098.13	557.66	530.78
Retiree + Family	1,546.96	807.23	763.52

HRA contributions for non-state medicare retirees covered by the exchange: Amounts paid for Medicare eligible retirees covered by the Exchange do not vary by type of plan or coverage level; they vary only by years of PERS membership service. On July 1, 2017, the monthly subsidy for retirees on the Medicare Exchange is \$12 per month per year of PERS service. The maximum benefit payable is \$240 per month.

Employees covered by benefit terms

There are no active City employees covered by or eligible for coverage under PEBP. There are 16 former employees for whom the City pays a subsidy toward the cost of PEBP coverage.

Contributions

City contributions to the Plan occur as benefits are paid to retirees. In this PEBP program, the only benefit payments occur in the form of direct payments to PEBP on behalf of currently covered retirees. Contributions to the Plan from the City were \$18,349 for the year ended June 30, 2018 (measurement date June 30, 2017).

Plan financial reports

Information about PEBP's financial report is available at <https://pebp.state.nv.us/>.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 14. Post-Employment Benefits Other than Pensions, Continued

OPEB liability

Net OPEB liability

At June 30, 2018, the City reported a net OPEB liability of \$269,232 for PEBP. The net liability was measured as of June 30, 2017 and the total liability was determined by an actuarial valuation as of June 30, 2017. An OPEB trust has not been established so the total liability is equal to net liability. There are no assets accumulated in a trust that meet the criteria in GASB 75 (paragraph 4) to pay related benefits. The total OPEB liability as of June 30, 2017 reflects a change in the use of discount rates of 2.85% as of June 30, 2016 and 3.53% as of June 30, 2017. There were no other significant changes of actuarial assumptions. The projections are based on established patterns of practice.

OPEB liability discount rate sensitivity

The following presents the net OPEB liability calculated using the discount rate of 3.53%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability - PEBP	\$ 296,572	\$ 269,232	\$ 245,820

OPEB liability healthcare cost trend rates sensitivity

The following presents the net OPEB liability calculated using current healthcare cost trend rates, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Medical Trend</u>	<u>1% Increase</u>
Net OPEB liability - PEBP	\$ 247,002	\$ 269,232	\$ 294,610

Actuarial assumptions

PEBP

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 14. Post-Employment Benefits Other than Pensions, Continued

Inflation rate	2.75%
Salary increases	N/A – no active employee in this plan
Discount rate	3.53%
Funding method	Entry age normal cost, closed group, level percent of pay
Healthcare cost trend rates	Pre-Medicare subsidy increase: 6.50% for 7/1/18, 6.00% for 7/1/19, 5.75% for 7/1/20, 5.50% for 7/1/21, 5.25% for 7/1/22, 5.00% for 7/1/23 and later years Medicare subsidy increase: 4.50% for 7/1/18 and later years

The basic mortality rates used in this valuation are based on the most recently published report of the Nevada Public Employees Retirement System, dated June 30, 2015, except for a different basis used to project future mortality improvements.

Non-disabled life rates for regular employees:

Males: RP-2000 Combined Healthy Table

Females: RP-2000 Combined Healthy Table set back 1 year

These rates were then adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2017 on a generational basis from 2015 forward (i.e. mortality is projected to improve each year until the payments anticipated in any future year occur).

The discount rate used to measure the total OPEB liability was 3.53% as of June 30, 2017. The District funds the PEBP OPEB liability on a pay-as-you-go basis. Therefore, the discount rate used in this valuation is based on the Fidelity Municipal Bond AA 20 Year Maturity Yield.

Changes in the net OPEB liability

	Increase (decrease)		
	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB (asset) liability (a) - (b)
Balances at June 30, 2017	\$ 297,478	\$ -	\$ 297,478
Changes during the period:			
Service cost	-	-	-
Interest cost	8,217	-	8,217
Expected investment income	-	-	-
Employer contributions	-	18,349	(18,349)
Changes of benefit terms	-	-	-
Benefit payments	(18,349)	(18,349)	-
Assumption changes	(18,114)	-	(18,114)
Plan experience	-	-	-
Investment experience	-	-	-
Net changes	(28,246)	-	(28,246)
Balances at June 30, 2018	\$ 269,232	\$ -	\$ 269,232

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 14. Post-Employment Benefits Other than Pensions, Continued

Plan fiduciary net position

Detailed information about PEBP's fiduciary net position is available in a separately issued PEBP financial report.

OPEB expense

For the year ended June 30, 2018, the City recognized OPEB expense for PEBP of \$8,217.

Deferred outflows/inflows of resources related to OPEB

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 18,274	\$ -
Total	<u>\$ 18,274</u>	<u>\$ -</u>

The amount (\$18,275) reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

NOTE 15. Interfund Transactions and Balances

Interfund receivables for the year ended June 30, 2018 are as follows:

	<u>Due From</u>		
	Non Major Funds	Railroad Fund	Total
Landfill Fund	\$ 32,460	\$ 3,760	\$ 36,220
Total	<u>\$ 32,460</u>	<u>\$ 3,760</u>	<u>\$ 36,220</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenses occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual outstanding balances between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The Council has determined terms of repayment for the above interfund balances and the amounts will be repaid in the next fiscal year.

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 15. Interfund Transactions and Balances, Continued

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, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City had no interfund transfers for the year ended June 30, 2018.

NOTE 16. Restatement and Prior Period Adjustments

As mentioned in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 82, *Pension Issues- an Amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB Statement No. 82 improves consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

In prior years the City has accounted for annual workers compensation expenses in the year paid. In fiscal year 2018 a significant change in expenses compared with prior years has caused the City to record related accruals for fiscal year 2018 and prior years.

	Governmental Activities	Business Activities
Net position as previously stated	\$ 3,366,325	\$ 20,094,043
<i>Restatement Adjustment</i>		
To record restatement adjustment related to GASB 75	(87,664)	(68,375)
To record restatement adjustment related to GASB 82	(244,667)	(69,000)
<i>Prior Period Adjustment</i>		
To record accruals of workers compensation insurance expense	(19,847)	-
Net position as adjusted	<u>\$ 3,014,147</u>	<u>\$ 19,956,668</u>

CITY OF ELY, NEVADA
Notes to the Financial Statements
June 30, 2018

NOTE 17. Contingent Liabilities

The City and the Railroad Foundation are plaintiffs in an ongoing legal case. Should the case be found in favor of the defendant, the City could be held jointly and severally liable for the defendant's attorney's fees and costs. Any such liability cannot currently be estimated.

NOTE 18. Subsequent Event

In December 2018 the City passed a resolution allowing the General Fund to borrow up to \$150,000 from the Landfill Fund. Any borrowings are to be used to cover legal fees incurred in relation to the potential liability discussed in Note 17 above, and are to be repaid in full by June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES FOR THE FOLLOWING MAJOR FUNDS:

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

The **Street Fund** accounts for the receipt of fuel taxes and other revenues dedicated to funding the repairs, maintenance, and new construction of city streets and alleys.

OTHER SCHEDULES:

Schedule of proportionate share of the net pension liability for public employee's retirement system of Nevada.

Schedule of contributions to public employee's retirement system of Nevada.

Schedule of changes in the Net OPEB Liability and Related Ratios for PEBP.

Schedule of OPEB contributions for PEBP.

CITY OF ELY, NEVADA
General Fund
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Taxes:					
Ad valorem tax	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)	\$ -
Franchise tax	78,000	78,000	82,941	4,941	81,900
Total taxes	80,000	80,000	82,941	2,941	81,900
Licenses and permits:					
Business licenses	162,000	162,000	142,413	(19,587)	144,447
Animal licenses	2,000	2,000	1,483	(517)	2,923
Building permits	65,000	65,000	51,175	(13,825)	98,449
Building - misc.	500	500	5,030	4,530	1,911
Excavation permits	15,000	15,000	1,730	(13,270)	35,084
Total licenses and permits	244,500	244,500	201,831	(42,669)	282,814
Intergovernmental revenue:					
Consolidated tax	1,280,883	1,280,883	1,394,324	113,441	1,304,402
Share of county gaming tax	34,000	34,000	32,400	(1,600)	43,706
City/County/Tribal co-op - first responder	6,000	6,000	6,000	-	6,000
City/County co-op - public safety	34,000	34,000	30,907	(3,093)	30,450
City/County co-op - planning	34,850	34,850	34,850	-	34,000
Grant - Projects	27,883	27,883	53,993	26,110	14,800
Grant - Roger Brooks	25,000	25,000	28,000	3,000	-
Grant - WPC fair & recreational park	10,000	10,000	6,802	(3,198)	5,588
Grant - Fire dept	-	-	-	-	32,486
Total intergovernmental revenue	1,452,616	1,452,616	1,587,276	134,660	1,471,432
Charges for services:					
Cemetery charges	25,000	25,000	17,997	(7,003)	19,569
Work cards	8,000	8,000	7,724	(276)	8,505
Fire claims	500	500	20,260	19,760	5,392
Fire ambulance service	140,000	140,000	131,412	(8,588)	115,502
Miscellaneous	16,000	16,000	9,626	(6,374)	13,989
Total charges for services	189,500	189,500	187,019	(2,481)	162,957
Fines and forfeitures:					
Court fines	85,200	85,200	78,284	(6,916)	78,167
Evidentiary fee	1,400	1,400	2,568	1,168	1,315
Public defender fee	1,000	1,000	3,394	2,394	1,853
Notice fees	400	400	150	(250)	440
Miscellaneous court fees	15,600	15,600	2,393	(13,207)	8,823
Total fines and forfeitures	103,600	103,600	86,789	(16,811)	90,598
Miscellaneous:					
Interest earned	600	600	4,772	4,172	953
Rents and leases	12,000	12,000	20,543	8,543	15,980
Recycling revenue	35,483	35,483	52,457	16,974	-
Miscellaneous	60,800	60,800	10,994	(49,806)	27,006
Total miscellaneous	108,883	108,883	88,766	(20,117)	43,939
Total revenues	2,179,099	2,179,099	2,234,622	55,523	2,133,640

(Continued)

CITY OF ELY, NEVADA
General Fund
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018 (Continued)
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Expenditures					
General government:					
Legislative:					
Mayor and council:					
Salaries and wages	9,300	9,300	9,326	(26)	9,405
Employee benefits	10,734	10,734	10,493	241	8,258
Services, supplies and other	5,400	5,400	2,664	2,736	7,144
Total legislative	25,434	25,434	22,483	2,951	24,807
Administration:					
City clerk:					
Salaries and wages	52,093	52,093	50,738	1,355	29,427
Employee benefits	33,658	33,658	34,523	(865)	20,711
Services, supplies and other	47,450	47,450	49,563	(2,113)	80,819
Capital outlay	1,250	1,250	1,250	-	-
Total administration	134,451	134,451	136,074	(1,623)	130,957
Finance:					
City treasurer:					
Salaries and wages	15,750	15,750	13,473	2,277	23,575
Employee benefits	6,162	6,162	6,335	(173)	11,029
Services, supplies and other	17,300	17,300	17,239	61	11,497
Total finance	39,212	39,212	37,047	2,165	46,101
Total general government	199,097	199,097	195,604	3,493	201,865
Judicial:					
City court:					
Salaries and wages	70,891	70,891	68,216	2,675	79,426
Employee benefits	52,749	52,749	35,584	17,165	26,917
Services, supplies and other	18,500	18,500	37,047	(18,547)	25,202
Total city court	142,140	142,140	140,847	1,293	131,545
City attorney:					
Salaries and wages	41,272	41,272	34,759	6,513	34,350
Employee benefits	19,268	19,268	17,203	2,065	12,885
Services, supplies and other	50,000	50,000	42,911	7,089	23,808
Total city attorney	110,540	110,540	94,873	15,667	71,043
Total judicial	252,680	252,680	235,720	16,960	202,588

(Continued)

CITY OF ELY, NEVADA
General Fund
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018 (Continued)
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Public safety:					
Law enforcement:					
City/County law enforcement contract	461,492	461,492	450,000	11,492	464,715
Fire department:					
Salaries and wages	440,280	440,280	479,034	(38,754)	442,831
Employee benefits	244,196	244,196	222,849	21,347	249,008
Services, supplies and other	60,913	60,913	43,541	17,372	95,872
Total fire department	745,389	745,389	745,424	(35)	787,711
Total public safety	1,206,881	1,206,881	1,195,424	11,457	1,252,426
Public works:					
Engineering:					
Services, supplies and other	20,802	20,802	117	20,685	29,038
Total engineering	20,802	20,802	117	20,685	29,038
Building department:					
Salaries and wages	79,441	79,441	79,542	(101)	82,091
Employee benefits	41,447	41,447	42,986	(1,539)	41,078
Services, supplies and other	4,300	4,300	6,339	(2,039)	4,090
Total building department	125,188	125,188	128,867	(3,679)	127,259
Total public works	145,990	145,990	128,984	17,006	156,297
Health and sanitation:					
Animal control:					
Salaries and wages	36,737	36,737	34,041	2,696	25,803
Employee benefits	19,633	19,633	14,079	5,554	17,290
Services, supplies and other	6,750	6,750	11,410	(4,660)	6,344
Total animal control	63,120	63,120	59,530	3,590	49,437
Cemetery:					
Salaries and wages	44,726	44,726	48,008	(3,282)	51,289
Employee benefits	19,184	19,184	21,089	(1,905)	29,571
Services, supplies and other	16,696	16,696	11,850	4,846	12,211
Total cemetery	80,606	80,606	80,947	(341)	93,071
Total health and sanitation	143,726	143,726	140,477	3,249	142,508

(Continued)

CITY OF ELY, NEVADA
General Fund
Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018 (Continued)
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Culture and recreation:					
Parks department:					
Salaries and wages	98,464	98,464	76,305	22,159	95,679
Employee benefits	50,343	50,343	38,868	11,475	41,628
Services, supplies and other	22,648	22,648	16,473	6,175	21,177
Tree board	37	37	36	1	746
Total culture and recreation	171,492	171,492	131,682	39,810	159,230
Community support:					
Grant - Stryker Risk Management	-	-	-	-	32,486
Grant - CCHOP	27,883	27,883	30,018	(2,135)	14,800
Grant - WPC fair and recreational park	10,000	10,000	6,802	3,198	-
Grant - Roger Brooks	25,000	25,000	25,000	-	-
Grant - Humane Network	1,600	1,600	702	898	-
Services, supplies and other	-	-	-	-	93
Total community support	64,483	64,483	62,522	1,961	47,379
Total expenditures	2,184,349	2,184,349	2,090,413	93,936	2,162,293
Excess (deficiency) of revenues over (under) expenditures	(5,250)	(5,250)	144,209	149,459	(28,653)
Other financing sources (uses)					
Transfers out	-	-	-	-	(5,227)
Total other financing sources and uses	-	-	-	-	(5,227)
Net change in fund balance	(5,250)	(5,250)	144,209	149,459	(33,880)
Fund balance, beginning of year	329,067	329,067	329,067	-	362,947
Restatement adjustments	-	-	(19,874)	(19,874)	-
Fund balance, end of year	\$ 323,817	\$ 323,817	\$ 453,402	\$ 129,585	\$ 329,067

CITY OF ELY, NEVADA
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Intergovernmental:					
Gas tax 2.35	\$ 154,180	\$ 154,180	\$ 123,927	\$ (30,253)	\$ 134,255
Gas tax 1 cent option	28,210	28,210	28,595	385	30,117
Motor vehicle, 1.75 gas tax	17,666	17,666	17,985	319	20,591
County contribution	22,540	22,540	22,540	-	22,540
Public transit fund	168,200	168,200	151,363	(16,837)	363,549
Regional transportation commission	615,700	615,700	-	(615,700)	-
Operating transfers in	62,570	62,570	-	(62,570)	-
Total intergovernmental	1,069,066	1,069,066	344,410	(724,656)	571,052
Other revenues:					
Miscellaneous	-	-	102	102	28,034
Total other revenues	-	-	102	102	28,034
Total revenues	1,069,066	1,069,066	344,512	(724,554)	599,086
Expenditures					
Highways and streets:					
Salaries and wages	181,856	181,856	149,116	32,740	136,760
Employee benefits	103,310	103,310	71,401	31,909	92,579
Service, supplies, and other	168,200	168,200	149,170	19,030	112,405
Capital outlay	615,700	615,700	-	615,700	283,415
Total highway and streets	1,069,066	1,069,066	369,687	699,379	625,159
Total expenditures	1,069,066	1,069,066	369,687	699,379	625,159
Excess of revenue and other sources over (under) expenditures	-	-	(25,175)	(25,175)	(26,073)
Other financing sources (uses)					
Transfers in	-	-	-	-	50,000
Net change in fund balance	-	-	(25,175)	(25,175)	23,927
Fund balance, beginning of year	60,907	60,907	60,907	-	36,980
Fund balance, end of year	\$ 60,907	\$ 60,907	\$ 35,732	\$ (25,175)	\$ 60,907

CITY OF ELY, NEVADA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Public Employees' Retirement System of Nevada
June 30, 2018
Last 10 Fiscal Years

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.027410%	0.029773%	0.028630%	0.022926%
Proportionate share of the net pension liability (asset)	\$ 3,645,398	\$ 4,006,645	\$ 3,281,185	\$ 2,389,345
Covered employee payroll	\$ 1,727,881	\$ 1,617,055	\$ 1,555,932	\$ 1,457,944
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	210.98%	247.77%	210.88%	163.88%
Plan fiduciary net position as a percentage of the total pension liability	72.23%	72.20%	75.10%	76.31%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

CITY OF ELY, NEVADA
Required Supplementary Information
Schedule of Contributions
Public Employees' Retirement System of Nevada
June 30, 2018
Last 10 Fiscal Years

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 246,365	\$ 252,435	\$ 220,982	\$ 211,982
Contributions in relation to the contractually required contribution	(246,365)	(252,435)	(220,982)	(211,982)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,727,881	\$ 1,617,055	\$ 1,555,932	\$ 1,457,944
Contributions as a percentage of covered-employee payroll	14.26%	15.61%	14.20%	14.54%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

CITY OF ELY, NEVADA
Schedule of Changes in the Net OPEB Liability and Related Ratios
PEBP
June 30, 2018
Last 10 Fiscal Years

	Reporting Fiscal Year (Measurement Date)
	2018 (2017)
Total OPEB liability	
Service cost	\$ -
Interest cost	8,217
Changes of benefit terms	-
Benefit payments	(18,349)
Assumption changes	(18,114)
Plan experience	-
Net change in total OPEB liability	(28,246)
Total OPEB liability - beginning	297,478
Total OPEB liability - ending (a)	\$ 269,232
Plan fiduciary net position	
Employer contributions	\$ 18,349
Net investment income	-
Benefit payments	(18,349)
Investment experience	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending (b)	\$ -
Net OPEB liability - ending (a) - (b)	\$ 269,232
Covered payroll	N/A*
Net OPEB liability as a percentage of covered payroll	0.00%

The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

* The Public Employee Benefit Program is a closed plan and, therefore, there is no covered payroll

CITY OF ELY, NEVADA
Schedule of OPEB Contributions
PEBP
June 30, 2018
Last 10 Fiscal Years

	Reporting Fiscal Year (Measurement Date)
	<u>2018</u> <u>(2017)</u>
Contractually required contributions	\$ 18,349
Contributions in relation to the contractually required contribution	(18,349)
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	N/A*
Contributions as a percentage of covered payroll	0.00%

The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

* The Public Employee Benefit Program is a closed plan and, therefore, there is no covered payroll

CITY OF ELY, NEVADA
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

NOTE 1. Expenditures in Excess of Budget

The City had no functions in the General Fund with expenditures in excess of budgeted amounts for the year ended June 30, 2018. The functions can be seen on the Detailed Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual for the General Fund on pages 57 through 60.

NOTE 2. OPEB – Factors that Affect Trends

There are no factors (e.g. changes in benefit terms, the use of different assumptions, changes in investment policies) that significantly affect trends in the amounts reported in the required schedules.

NOTE 3. OPEB – Plan Assets

There are no assets accumulated in a trust that meet the criteria in GASB 75 (paragraph 4) to pay related benefits.

NONMAJOR INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Beautification Fund** is used to account for funds donated to the City for beautification efforts of down town Ely.

The **Court Assessments Fund** is used to account for court assessments, which are to be used to improve the operations of the court.

The **Court Collection and Fee Fund** accounts for court collection costs and assessments.

The **Court Facility Fee Assessment Fund** is used to account for court assessments restricted for future court improvements.

The **Fire Protection/Street Improvement Fund** is used to account for electrical utility franchise fees that will be used for fire protection equipment and material or street improvements at the City Council's discretion.

The **Ely City Redevelopment Agency Fund** is used to account for the special property tax revenue generated within the designated districts of the City.

The **Revolving Loan Fund** accounts for grant funds used to make loans to increase the economic opportunities within the community.

The **Victim Impact Panel Fund** is used to account for victim impact panel funds used to assist victims of crime.

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The **Capital Projects Fund** is used to account for revenue received from a special ad valorem tax that must be recorded in a capital project fund and dedicated to capital project needs within the City.

CITY OF ELY, NEVADA
Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2018

	Special Revenue							Capital Projects	Total
	Beautification Fund	Court Assessment Fund	Court Collection Fee Fund	Court Facility Fee Assessment Fund	Fire Protection & Street Improvement Fund	Ely City Redevelopment District Fund	Revolving Loan Fund	Victim Impact Panel Fund	Nonmajor Governmental Funds
Assets									
Cash and cash equivalents	\$ 328	\$ 29,420	\$ 32,412	\$ 90,089	\$ 57,286	\$ 163,481	\$ 81,616	\$ 6,981	\$ 658,172
Cash - restricted	-	6,460	-	-	-	-	-	-	229,815
Accounts receivable	-	-	-	-	-	2,378	-	-	40,082
Notes receivable	-	-	-	-	-	-	-	-	-
Taxes receivable	-	-	-	-	20,198	-	-	-	20,198
Prepaid expense	-	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 328</u>	<u>\$ 35,880</u>	<u>\$ 32,412</u>	<u>\$ 90,089</u>	<u>\$ 77,484</u>	<u>\$ 165,859</u>	<u>\$ 81,616</u>	<u>\$ 6,981</u>	<u>\$ 948,267</u>
Liabilities									
Accounts payable	\$ -	\$ 21,849	\$ -	\$ -	\$ 726	\$ -	\$ -	\$ -	\$ 22,575
Accrued liabilities	-	-	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-	50	50
Due to other funds	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>21,849</u>	<u>-</u>	<u>-</u>	<u>726</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>22,625</u>
Deferred Inflows									
Unavailable revenues	-	-	-	-	-	-	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance									
Restricted for:									
Capital outlay	-	-	-	-	-	-	-	-	231,273
Debt service	-	-	-	-	-	-	-	-	29,736
Other purposes	-	14,031	32,412	90,089	-	165,859	-	6,981	309,372
Committed for:									
Capital outlay	-	-	-	-	76,758	-	-	-	196,559
Other purposes	328	-	-	-	-	-	81,616	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>328</u>	<u>14,031</u>	<u>32,412</u>	<u>90,089</u>	<u>76,758</u>	<u>165,859</u>	<u>81,616</u>	<u>6,981</u>	<u>925,642</u>
Total liabilities, and fund balances	<u>\$ 328</u>	<u>\$ 35,880</u>	<u>\$ 32,412</u>	<u>\$ 90,089</u>	<u>\$ 77,484</u>	<u>\$ 165,859</u>	<u>\$ 81,616</u>	<u>\$ 6,981</u>	<u>\$ 948,267</u>

CITY OF ELY, NEVADA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue							Capital Projects	Total
	Beautification Fund	Court Assessment Fund	Court Collection Fee Fund	Court Facility Fee Assessment Fund	Fire Protection & Street Improvement Fund	Ely City Redevelopment District Fund	Revolving Loan Fund	Victim Impact Panel Fund	Nonmajor Governmental Funds
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 92,560	\$ 34,147	\$ -	\$ -	\$ 336,990
Interest	-	-	-	-	36	-	358	79	473
Charges for services	-	4,965	2,312	4,157	-	-	-	525	11,959
Other revenues	375	-	-	-	-	-	-	-	375
Total revenues	375	4,965	2,312	4,157	92,596	34,147	358	525	349,797
Expenditures									
Public safety	-	-	-	-	67,560	-	-	-	67,560
Debt service - principal	-	-	-	-	37,220	-	-	-	54,731
Debt service - interest	-	-	-	-	12,090	-	-	-	24,315
Total expenditures	-	-	-	-	116,870	-	-	-	146,606
Excess (deficiency) of revenues over (under) expenditures	375	4,965	2,312	4,157	(24,274)	34,147	358	525	203,191
Other financing sources									
Transfers out	-	-	-	-	-	-	-	-	-
Net change in fund balances	375	4,965	2,312	4,157	(24,274)	34,147	358	525	203,191
Fund balances, beginning of year	(47)	9,066	30,100	85,932	101,032	131,712	81,258	6,456	722,451
Fund balances, end of year	<u>\$ 328</u>	<u>\$ 14,031</u>	<u>\$ 32,412</u>	<u>\$ 90,089</u>	<u>\$ 76,758</u>	<u>\$ 165,859</u>	<u>\$ 81,616</u>	<u>\$ 6,981</u>	<u>\$ 925,642</u>

CITY OF ELY, NEVADA
Beautification Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Other revenues:					
Donations	\$ 200	\$ 200	\$ 375	\$ 175	\$ 335
Expenditures					
Culture and recreation:					
Services, supplies, and other	-	-	-	-	373
Total expenditures	-	-	-	-	373
Excess of revenues over (under) expenditures	200	200	375	175	(38)
Fund balance, beginning of year	(47)	(47)	(47)	-	(9)
Fund balance, end of year	<u>\$ 153</u>	<u>\$ 153</u>	<u>\$ 328</u>	<u>\$ 175</u>	<u>\$ (47)</u>

CITY OF ELY, NEVADA
Court Assessment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Charges for services:					
Assessment fees	\$ 3,500	\$ 3,500	\$ 4,965	\$ 1,465	\$ 5,247
Other revenues:					
Interest	-	-	-	-	-
Total revenues	3,500	3,500	4,965	1,465	5,247
Expenditures					
Judicial:					
Services, supplies, and other	200	200	-	200	2,972
Total expenditures	200	200	-	200	2,972
Excess of revenues over (under) expenditures	3,300	3,300	4,965	1,665	2,275
Fund balance, beginning of year	9,066	9,066	9,066	-	6,791
Fund balance, end of year	<u>\$ 12,366</u>	<u>\$ 12,366</u>	<u>\$ 14,031</u>	<u>\$ 1,665</u>	<u>\$ 9,066</u>

CITY OF ELY, NEVADA
Court Collection Fee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Charges for services:					
Assessment fees	\$ 4,200	\$ 4,200	\$ 2,312	\$ (1,888)	\$ 1,496
Other revenues:					
Interest	-	-	-	-	-
Total revenues	4,200	4,200	2,312	(1,888)	1,496
Expenditures					
Judicial:					
Services, supplies, and other	200	200	-	200	-
Total expenditures	200	200	-	200	-
Excess of revenues over (under) expenditures	4,000	4,000	2,312	(1,688)	1,496
Fund balance, beginning of year	30,100	30,100	30,100	-	28,604
Fund balance, end of year	<u>\$ 34,100</u>	<u>\$ 34,100</u>	<u>\$ 32,412</u>	<u>\$ (1,688)</u>	<u>\$ 30,100</u>

CITY OF ELY, NEVADA
Court Facility Fee Assessment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Charges for services:					
Assessment fees	\$ 6,300	\$ 6,300	\$ 4,157	\$ (2,143)	\$ 5,845
Other revenues:					
Interest	-	-	-	-	-
Total revenues	6,300	6,300	4,157	(2,143)	5,845
Expenditures					
Judicial:					
Services, supplies, and other	-	-	-	-	1,536
Total expenditures	-	-	-	-	1,536
Excess of revenues over (under) expenditures	6,300	6,300	4,157	(2,143)	4,309
Fund balance, beginning of year	85,932	85,932	85,932	-	81,623
Fund balance, end of year	<u>\$ 92,232</u>	<u>\$ 92,232</u>	<u>\$ 90,089</u>	<u>\$ (2,143)</u>	<u>\$ 85,932</u>

CITY OF ELY, NEVADA
Fire Protection/Street Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Taxes:					
Franchise fees	\$ 109,000	\$ 109,000	\$ 92,560	\$ (16,440)	\$ 89,248
Other revenues:					
Interest	28	28	36	8	47
Total revenue	109,028	109,028	92,596	(16,432)	89,295
Expenditures					
Public safety:					
Services, supplies and other	81,955	81,955	67,560	14,395	-
Debt service - principal	38,350	38,350	37,220	1,130	23,583
Debt service - interest	12,347	12,347	12,090	257	11,288
Streets and highways:					
Capital outlay	-	-	-	-	957
Total expenditures	132,652	132,652	116,870	15,782	35,828
Excess of revenues over (under) expenditures	(23,624)	(23,624)	(24,274)	(650)	53,467
Other Financing Sources (Uses)					
Transfers out	47,110	47,110	-	(47,110)	(50,000)
Total other financing sources and uses	47,110	47,110	-	(47,110)	(50,000)
Net change in fund balances	23,486	23,486	(24,274)	(47,760)	3,467
Fund balance, beginning of year	101,032	101,032	101,032	-	97,565
Fund balance, end of year	<u>\$ 124,518</u>	<u>\$ 124,518</u>	<u>\$ 76,758</u>	<u>\$ (47,760)</u>	<u>\$ 101,032</u>

CITY OF ELY, NEVADA
Ely City Redevelopment District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Taxes:					
Ad valorem taxes	\$ 29,500	\$ 29,500	\$ 34,147	\$ 4,647	\$ 29,214
Other revenues:					
Interest	-	-	-	-	-
Total revenues	29,500	29,500	34,147	4,647	29,214
Expenditures					
Total expenditures	-	-	-	-	-
Excess of revenues over (under) expenditures	29,500	29,500	34,147	4,647	29,214
Net change in fund balance	29,500	29,500	34,147	4,647	29,214
Fund balance, beginning of year	131,712	131,712	131,712	-	102,498
Fund balance, end of year	\$ 161,212	\$ 161,212	\$ 165,859	\$ 4,647	\$ 131,712

CITY OF ELY, NEVADA
Revolving Loan Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Other revenues:					
Interest	\$ 180	\$ 180	\$ 358	\$ 178	\$ -
Total revenue	<u>180</u>	<u>180</u>	<u>358</u>	<u>178</u>	<u>-</u>
Expenditures					
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue and other sources over (under) expenditures	180	180	358	178	-
Fund balance, beginning of year	<u>81,258</u>	<u>81,258</u>	<u>81,258</u>	<u>-</u>	<u>81,258</u>
Fund balance, end of year	<u>\$ 81,438</u>	<u>\$ 81,438</u>	<u>\$ 81,616</u>	<u>\$ 178</u>	<u>\$ 81,258</u>

CITY OF ELY, NEVADA
Victim Impact Panel Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Charges for services:					
Victim impact panel	\$ 200	\$ 200	\$ 525	\$ 325	\$ 175
Other revenues:					
Interest	-	-	-	-	-
Total revenues	200	200	525	325	175
Expenditures					
Total expenditures	-	-	-	-	-
Excess of revenues over (under) expenditures	200	200	525	325	175
Fund balance, beginning of year	6,456	6,456	6,456	-	6,281
Fund balance, end of year	<u>\$ 6,656</u>	<u>\$ 6,656</u>	<u>\$ 6,981</u>	<u>\$ 325</u>	<u>\$ 6,456</u>

CITY OF ELY, NEVADA
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Revenues					
Taxes:					
Ad valorem taxes	\$ 49,000	\$ 49,000	\$ 52,348	\$ 3,348	\$ 40,685
Room tax	50,000	50,000	157,935	107,935	38,625
Total taxes	99,000	99,000	210,283	111,283	79,310
Other revenues:					
Interest	60	60	79	19	94
Grant	-	-	-	-	434,087
Miscellaneous	-	-	-	-	6,188
Total other revenues	60	60	79	19	440,369
Total revenues	99,060	99,060	210,362	111,302	519,679
Expenditures					
General government:					
Capital outlay	13,517	13,517	-	13,517	171,600
Grant expense	-	-	-	-	434,087
Debt service - principal	17,559	17,559	17,511	48	16,850
Debt service - interest	12,177	12,177	12,225	(48)	12,886
Total expenditures	43,253	43,253	29,736	13,517	635,423
Excess of revenues over (under) expenditures	55,807	55,807	180,626	124,819	(115,744)
Other financing sources					
Debt proceeds	-	-	-	-	134,500
Total other financing sources	-	-	-	-	134,500
Net change in fund balance	55,807	55,807	180,626	124,819	18,756
Fund balance, beginning of year	276,942	276,942	276,942	-	258,186
Fund balance, end of year	\$ 332,749	\$ 332,749	\$ 457,568	\$ 124,819	\$ 276,942

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MAJOR BUSINESS-TYPE FUNDS

CITY OF ELY, NEVADA
Water Fund
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Operating revenues					
Charges for services:					
Water sales	\$ 1,167,561	\$ 1,167,561	\$ 1,127,686	\$ (39,875)	\$ 1,122,149
Connection fees and other revenues	4,689	4,689	6,825	2,136	9,308
Total operating revenues	<u>1,172,250</u>	<u>1,172,250</u>	<u>1,134,511</u>	<u>(37,739)</u>	<u>1,131,457</u>
Operating expenses					
Salaries and wages	266,614	266,614	251,817	14,797	264,441
Employee benefits	133,938	133,938	386,484	(252,546)	120,241
Services, supplies and other	920,900	920,900	275,476	645,424	253,463
Capital outlay	15,000	15,000	-	15,000	-
Depreciation and amortization	320,000	320,000	321,147	(1,147)	355,313
Total operating expenses	<u>1,656,452</u>	<u>1,656,452</u>	<u>1,234,924</u>	<u>421,528</u>	<u>993,458</u>
Operating income (loss)	<u>(484,202)</u>	<u>(484,202)</u>	<u>(100,413)</u>	<u>383,789</u>	<u>137,999</u>
Nonoperating revenues (expenses)					
Interest income	2,600	2,600	3,176	576	5,393
Rent income - Georgetown Ranch	4,000	4,000	7,718	3,718	5,021
Miscellaneous income	1,300	1,300	20,178	18,878	14,187
System obligation fee income	10,000	10,000	6,600	(3,400)	20,463
Quadra mining revenues	230,000	230,000	278,937	48,937	216,396
Grant income - CDBG	366,000	366,000	366,300	300	-
Capital improvement projects expense	-	-	-	-	(1,384)
Interest expense	(29,051)	(29,051)	(40,108)	(11,057)	(43,362)
Grant expense - CCHPO	(6,750)	(6,750)	-	6,750	-
Quadra mining expense	<u>(230,000)</u>	<u>(230,000)</u>	<u>(280,544)</u>	<u>(50,544)</u>	<u>(213,019)</u>
Total nonoperating revenues (expenses)	<u>348,099</u>	<u>348,099</u>	<u>362,257</u>	<u>14,158</u>	<u>3,695</u>
Income (loss) before transfers	<u>(136,103)</u>	<u>(136,103)</u>	<u>261,844</u>	<u>397,947</u>	<u>141,694</u>
Transfers:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(136,103)</u>	<u>(136,103)</u>	<u>261,844</u>	<u>397,947</u>	<u>141,694</u>
Total net position, beginning of year	9,371,513	9,371,513	9,371,513	-	9,229,819
Restatement adjustments	-	-	(38,244)	(38,244)	-
Total net position, end of year	<u>\$ 9,235,410</u>	<u>\$ 9,235,410</u>	<u>\$ 9,595,113</u>	<u>\$ 359,703</u>	<u>\$ 9,371,513</u>

CITY OF ELY, NEVADA
Sanitation Fund
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Operating revenues					
Charges for services:					
Charges for services	\$ 1,050,000	\$ 1,050,000	\$ 1,038,916	\$ (11,084)	\$ 1,012,175
Testing revenues	3,000	3,000	7,704	4,704	5,194
Total operating revenues	1,053,000	1,053,000	1,046,620	(6,380)	1,017,369
Operating expenses					
Salaries and wages	204,190	204,190	200,279	3,911	181,923
Employee benefits	126,558	126,558	340,037	(213,479)	100,975
Services, supplies and other	325,600	325,600	270,527	55,073	242,574
Capital outlay	245,000	245,000	-	245,000	-
Depreciation and amortization	240,000	240,000	237,427	2,573	223,617
Total operating expenses	1,141,348	1,141,348	1,048,270	93,078	749,089
Operating income (loss)	(88,348)	(88,348)	(1,650)	86,698	268,280
Nonoperating revenues (expenses)					
Interest income	3,500	3,500	4,145	645	6,915
Miscellaneous income	5,000	5,000	23,917	18,917	13,883
System obligation fee income	21,750	21,750	7,000	(14,750)	16,493
Capital improvement projects expense	(310,000)	(310,000)	-	310,000	-
Interest expense	(71,487)	(71,487)	(71,716)	(229)	(73,096)
Miscellaneous expense	(25,000)	(25,000)	-	25,000	(9)
Total nonoperating revenues (expenses)	(376,237)	(376,237)	(36,654)	339,583	(35,814)
Income (loss) before transfers	(464,585)	(464,585)	(38,304)	426,281	232,466
Transfers:	-	-	-	-	-
Change in net position	(464,585)	(464,585)	(38,304)	426,281	232,466
Total net position, beginning of year	6,459,408	6,459,408	6,459,408	-	6,226,942
Restatement adjustments	-	-	(30,668)	(30,668)	-
Total net position, end of year	<u>\$ 5,994,823</u>	<u>\$ 5,994,823</u>	<u>\$ 6,390,436</u>	<u>\$ 395,613</u>	<u>\$ 6,459,408</u>

CITY OF ELY, NEVADA
Landfill Fund
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Operating revenues					
Charges for services	\$ 1,100,000	\$ 1,100,000	\$ 1,008,780	\$ (91,220)	\$ 920,312
Total operating revenues	1,100,000	1,100,000	1,008,780	(91,220)	920,312
Operating expenses					
Salaries and wages	449,300	449,300	433,337	15,963	435,431
Employee benefits	228,009	228,009	594,283	(366,274)	255,237
Services, supplies and other	261,575	261,575	221,835	39,740	248,636
Capital outlay	166,750	166,750	-	166,750	-
Landfill closure costs	135,000	135,000	64,493	70,507	(459,301)
Depreciation and amortization	86,000	86,000	94,451	(8,451)	100,597
Total operating expenses	1,326,634	1,326,634	1,408,399	(81,765)	580,600
Operating income (loss)	(226,634)	(226,634)	(399,619)	(172,985)	339,712
Nonoperating revenues (expenses)					
Interest income	3,600	3,600	4,234	634	6,397
Miscellaneous income	63,475	63,475	56,164	(7,311)	69,939
Total nonoperating revenues (expenses)	67,075	67,075	60,398	(6,677)	76,336
Income (loss) before transfers	(159,559)	(159,559)	(339,221)	(179,662)	416,048
Transfers:	-	-	-	-	-
Change in net position	(159,559)	(159,559)	(339,221)	(179,662)	416,048
Total net position, beginning of year	2,566,882	2,566,882	2,566,882	-	2,150,834
Restatement adjustments	-	-	(68,463)	(68,463)	-
Total net position, end of year	<u>\$ 2,407,323</u>	<u>\$ 2,407,323</u>	<u>\$ 2,159,198</u>	<u>\$ (248,125)</u>	<u>\$ 2,566,882</u>

CITY OF ELY, NEVADA
Railroad Fund
Schedule of Revenues, Expenditures, and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	Original Budget	Final Budget	Actual	Variance with Final Budget	2017
Operating revenues					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Total operating revenues	-	-	-	-	-
Operating expenses					
Services, supplies and other	250	250	-	250	-
Total operating expenses	250	250	-	250	-
Operating income (loss)	(250)	(250)	-	250	-
Nonoperating revenues (expenses)					
Interest income	-	-	-	-	-
Rent income	-	-	-	-	3,103
Grant income	10,000	10,000	-	(10,000)	1,023,286
Pass through grant expense	-	-	-	-	(1,111,422)
Donations	-	-	-	-	106,920
Legal expense	-	-	-	-	-
Total nonoperating revenues (expenses)	10,000	10,000	-	(10,000)	21,887
Transfers:	-	-	-	-	5,227
Change in net position	9,750	9,750	-	(9,750)	27,114
Total net position, beginning of year	1,696,240	1,696,240	1,696,240	-	2,209,578
Prior period adjustment	-	-	-	-	(540,452)
Total net position, end of year	<u>\$ 1,705,990</u>	<u>\$ 1,705,990</u>	<u>\$ 1,696,240</u>	<u>\$ (9,750)</u>	<u>\$ 1,696,240</u>

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

Honorable Mayor and
Members of City Council
City of Ely, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ely, Nevada (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keddington & Christensen, LLC

Salt Lake City, Utah

December 31, 2018



KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE PROVISIONS OF NEVADA REVISED STATUTES 354.624

Honorable Mayor and
Members of City Council
City of Ely, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Ely, Nevada (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2018. As required by Nevada Revised Statutes (NRS) 354.624, we have performed certain procedures as required by the statute.

Management's Responsibility

Management is responsible for compliance with the statute referred to above and the requirements of laws, regulations, contracts, and grants applicable to its funds. Management is also responsible for the financial statements and schedules required by the statute referred to above.

Auditor's Responsibility

Our responsibility is to obtain representation from management regarding the use of its funds and to determine that certain schedules and information required by the statute referred to above are included in the financial statements.

Audit Inclusions Required by Nevada Revised Statutes 354.624

In accordance with NRS 354.624, the financial statement includes a schedule of all fees imposed by the local government, budgetary comparison schedules, and whether prior year findings have been resolved. We have applied certain limited procedures to the audit inclusions required by the statute referred to above, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Funds Established by the Local Government

In accordance with Nevada Revised Statutes (NRS) 354.624, we have obtained representation from the City's management in a representation letter addressed to us dated December 31, 2018, of the following:

For each enterprise fund, internal service fund, fiduciary fund, self-insurance fund, and all other funds as required by NRS 354.624, the City has indicated for each fund:

- (a) That the fund is being used in accordance with the provision of this chapter of the Nevada Revised Statutes,
- (b) That the fund is being administered in accordance with generally accepted accounting principles,

- (c) That the reserve in the fund is limited to an amount that is reasonable and necessary to carry out the purposes of the fund,
- (d) The sources of revenues available for the fund during the fiscal year, including transfers from any other funds,
- (e) The statutory and regulatory requirements applicable to the fund, and
- (f) The balance and retained earnings of the fund.

The representations are management's representations and, accordingly, we do not express an opinion or provide any assurance on the information provided by management.

Noncompliance

The results of our limited procedures disclosed two instances of noncompliance, which are required to be reported in accordance with NRS 354.624, and which are described in the accompanying schedule of findings and recommendations as findings 2018-001 and 2018-002. Finding 2018-001 is a repeat finding for this department. Our findings do not constitute a legal determination for the City's compliance or noncompliance with State requirements.

Purpose of Report

The purpose of this report is solely to describe the scope and procedures performed in accordance with NRS 354.624. Accordingly, this report is not suitable for any other purpose.

Keddington & Christensen, LLC

Salt Lake City, Utah
December 31, 2018

CITY OF ELY, NEVADA
Schedule of Fees Imposed Subject to the Provision of NRS 354.5989
Limitation on Fees for Business Licenses
For the Year ended June 30, 2018

Flat Fixed Fees:

Business license revenue adjusted base at June 30, 2017	\$ 228,808
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Adjustment to Base:

1. Percentage decrease in population of the local government	-1.83%	
2. Percentage increase in the Consumer Price Index for the year ending on December 31, next preceding the year for which the limit is being calculated	<u>2.0%</u>	<u>0.17%</u>
Decrease in base		<u>387</u>
Adjusted base at June 30, 2018		<u>229,195</u>
Actual revenue		<u>126,024</u>
Amount over (under) allowable amount		<u><u>\$ (103,171)</u></u>

CITY OF ELY, NEVADA
Schedule of Findings and Recommendations
For the Year Ended June 30, 2018

2018-001: Closure and Post Closure Financial Assurance: Allowable Mechanism

Finding

According to NAC 444.68525 Financial assurance: Allowable mechanisms. (NRS 444.560) The mechanisms used to demonstrate financial assurance pursuant to NAC 444.685 must ensure that the money necessary to meet the cost of closure, postclosure and corrective action for known releases of contaminants will be available whenever it is needed. The financial assurance may be in the form of:

1. A trust fund as described in NAC 444.6853;
2. A surety bond guaranteeing payment or performance as described in NAC 444.68535;
3. A letter of credit as described in NAC 444.6854;
4. A policy of insurance as described in NAC 444.6855;
5. A mechanism approved by the solid waste management authority pursuant to NAC 444.6856;
6. An assumption of responsibility by the State as described in NAC 444.6857; or
7. Any combination of the options listed in subsections 1 to 6, inclusive.

As of June 30, 2018, the City Council passed a resolution to place the restricted amounts totaling \$808,591.28 into a trust fund. However, as of year-end, management did not actually transfer those monies into the aforementioned trust fund resulting in an instance of noncompliance with the mechanisms mentioned above regarding post closure financial assurance.

Recommendation

We recommend that management create the trust fund as outlined above.

Response

The City will review the options noted above to meet the compliance requirement.

2018-002: Budgetary Compliance

Finding

NRS 354.626 stipulates that local governments may not, during any fiscal year, expend or contract to expend any money or incur any liability, or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function (or at the fund level as applicable). For the fiscal year ended June 30, 2018 there was one function with expenditures in excess of the amount appropriated. The budget and actual schedules included in the financial statements identify over expended budget amounts for the following fund:

Landfill Fund by \$81,765

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or follow proper procedures to adjust the budgets for changes as necessary during the year.

Response

The City has made its best efforts to budget for the foreseeable events and to provide a reasonable buffer for unexpected events. In fiscal year 2018, the expenses in the Landfill fund arising from annual actuarial calculations for Pensions and for Other Post-Employment Benefits were more than were anticipated at the time of budgeting. The City works to remain within the amounts approved through its budgeting process. The City will review its processes and look for better and more effective ways to budget for annual actuarial adjustments and to monitor its expenditures and operate within the confines of State law by limiting expenditures and following proper procedures to adjust the budgets for changes as necessary during the year.