

COMMITTEE ON FEDERAL, STATE AND LOCAL GOVERNMENTS

Minutes of Meeting -- April 1, 1969

JOINT HEARINGSenate Committee on Federal, State and Local Governments
Assembly Committee on Government Affairs.

A joint hearing of the Senate Committee on Federal, State and Local Governments and the Assembly Committee on Government Affairs was held on April 1, 1969 at 3:00 P.M. in the Assembly Ways and Means Committee Room to hear the report of the auditors in the matter of North Las Vegas.

Those in attendance were:

James I. Gibson, Chairman)	
Marvin L. White)	
Warren L. Monroe)	
Vernon E. Bunker)	Senate Committee on Federal, State
Chic Hecht)	and Local Governments
Carl F. Dodge)	
F. W. Farr)	
Hal Smith, Chairman)	
Norman Hilbrecht)	
David Branch)	
Don Mello)	Assembly Committee on Government
Joseph Dini, Jr.)	Affairs
Virgil Getto)	
C. W. Lingenfelter)	
Bryan Hafen)	

Also present were:

William Taylor	Mayor, North Las Vegas
Wendell G. Waite	City of North Las Vegas
C. R. Cleland	City of North Las Vegas
Jim Troyer	North Las Vegas Valley Times
Bryn Armstrong	Las Vegas Sun
Milton Weiss	Director of Finance, North Las Vegas
Clay Lynch	City Manager, North Las Vegas
Curt Blyth	Nevada Municipal Association
Donald McGhie	Kafoury, Armstrong, Bernard & Bergstrom
LeRoy Bergstrom	Kafoury, Armstrong, Bernard & Bergstrom
Jim Andrus	Harris, Kerr, Forster & Co.
H. Bruce Cox	Harris, Kerr, Forster & Co.
E. L. Newton	Nevada Taxpayer's Association
R. E. Nickson	Nevada Tax Commission
H. Laird	Las Vegas
A. R. Trelease	Las Vegas
Frank Daykin	Legislative Counsel Bureau
Paul May	Assemblyman
Press representatives	

Chairman Gibson announced that the Joint Hearing was for the purpose of hearing the presentation of the auditors assigned by the Committee in the matter of North Las Vegas fiscal affairs. This audit was prepared by the CPA firm of Kafoury, Armstrong, Bernard and Bergstrom.

Mr. Bergstrom made the presentation for the firm. He stated that the report (attached) basically is in two parts: the first part relating to the various activities of the City of North Las Vegas and their recommendations in connection with its operations and those recommendations which are appropriate to all local governments in the State, and the last part of the report is made up of the financial statements and footnotes that accompany them. He said that there are a number of items on the statement which, by their nature, are difficult to understand simply by looking at a description and an amount -- and for this reason the footnotes were added. He requested that those present stay with him, page by page, as he went through the report. He felt it was important to go over the report closely, so there would be no possibility of missing any particular point that might be considered important.

At this point, Mr. Bergstrom went over the report in detail -- usually reading from the report, with few side remarks. The report is attached to these minutes to indicate the text of his presentation. Mr. McGhie briefly discussed some of the differences the firm felt the Committee members might find in looking at some of the information on Exhibit B presenting the 1963 General Obligation Bond Fund items and comparable information included on the balance sheet.

A question and answer period followed the formal report.

- Verbatim Transcription -

Chairman Gibson: What is the debt of North Las Vegas?

Mr. Bergstrom: The debt of the City of North Las Vegas is as disclosed on Schedule 7, roman numeral XI. We have made for this purpose a summary statement of indebtedness. (Reads from statement.) The total general obligation not supported by a pledge of revenue is \$5,368,000.00; general obligation indebtedness is \$9,665,000.00; special assessment bonds not secured by the full faith and credit of the City of North Las Vegas is \$4,083,738.00. The total local debt (general and special) is \$13,748,738.00. We have made no provision for debt in such projects as urban renewal where these debts are simply interim financing tools of the United States Government and are entirely guaranteed by the full faith and credit of the federal government. They are not proper debts of the city.

Chairman Gibson: Will they have the resources to meet these obligations?

Mr. Bergstrom: We would point out here that the general obligation warrants have a habit of being turned over -- in other words, refunded -- every June 30th and written for an additional year. This isn't quite as bad as it sounds. These warrants are used for interim financing of special

assessment districts and it generally isn't known at the time the warrants are issued how long the district is going to need the short term financing, so to some degree this is reasonable. It is the normal practice in a situation like this that such warrants be refinanced at the end of the year. However, their present maturity is June 30, 1969. Should the legislature, for example, adopt a statute at this point in time that would prohibit cities from continuing to have interim warrants, then obviously they could not refinance. If banks in the southern Nevada community felt that they did not want to pick up the existing \$861,000.00 worth of warrants held by the city and refund \$204,500.00 held by others, obviously the city would not be able to meet this indebtedness.

Chairman Gibson: How much would there have to be in an increase in sewer rates to do what you say has to be done?

Mr. Bergstrom: Sir, we did not make a rate study of the sewer facilities. In the first place we do not have the engineering qualifications for it and in the second place, we didn't have the time to do it even though we could have brought in engineering consultants. We did, however, review the operations of the fund sufficiently to satisfy ourselves that this increase should be in the neighborhood of between \$2.00 and \$3.00 a month.

Senator White: I would like to ask, along with that, did you get a chance to review the various sources of income? (Increase in license fees, et cetera.)

Mr. Bergstrom: We did not review the sources of income from the standpoint of how much could reasonably be expected to be generated from them. The amount that would be required to fund the additional salary increases is quite substantial -- many hundreds of thousands of dollars. The ability of the city to increase its charges is, to a degree, limited by the reaction of the people who are going to pay those charges. People can move out of the community, they can cut down on the number of businesses they operate in a community, to attempt to control their license fees. Frankly, the mobility of the population is not too great in this regard. It is more likely that very large increases in charges for water and sewer, for example, for business licenses and things of this nature, would be more in the nature of discouraging people from moving in than to encourage people to move out. At least, this would be our reaction from our experience in other municipalities. We cannot tell you how much each one would have to be increased, nor have we attempted to determine what the reasonable limits of increase would be in the case of each licensing category.

Senator White: You've indicated, too, that you are strongly recommending consideration be given to consolidation of certain governmental functions. Has your firm developed any savings that may be effective in the consolidation of some of these services?

Mr. Bergstrom: No, we have not. Again, basically because of time. In order to do this, it would be necessary to first consider what functions might be consolidated; second, what communities are we going to consolidate

-- and one would have to make a study not only of North Las Vegas' costs in a particular area, but what the City of Las Vegas costs might be or what Clark County's costs might be in order to see what the overall effect of this might actually work out to be among the various communities participating. We believe that this is an area where local governments ought to economize. There are too many areas where you may have 3-4 communities within a given local geographic area and everyone has a police identification department, everybody has certain functions which could be consolidated. Obviously there is a point of diminishing returns with some activities here. Certainly in the fire field, for example, some consolidation might be appropriate, but what you are trying to avoid basically is the fire station on one side of the city line and another one on the other side. This is the kind of thing you try to prevent. I'm not suggesting that this sort of thing exists in the North Las Vegas area. Obviously administrative costs are spread over a larger base with consolidation, training costs are spread over a larger base -- and generally there's a larger ad valorem to use as a basis for securing proper equipment and proper staffing.

Senator White: You mention here a contract for the design and installation of a proper governmental accounting system. Would you tell us how that is presently handled and what you are referring to -- the mechanics of it?

Mr. Bergstrom: We have sort of a hodge-podge right now. We have basically a hand system that has evolved over time, some of which has been mechanized, but it has never really been put into a system. For example, it shouldn't be possible to overexpend the cash of a fund. The system should be so designed that this can't happen. In other words, the information is rejected as unacceptable at the time you attempt to process a warrant or a particular purchase order. This can't be done effectively in the existing structure -- it just isn't designed for it.

What is necessary to be done is, in this case, to start at the beginning, designing a chart of accounts with an appropriate fund structure for the city that complies not only with NRS requirements, but also with the requirements of the various bond organizations. This has to be integrated with the mechanics of how monies are collected, how monies are billed, and it has to be further integrated into the manner in which purchases are contracted for, how the purchases are authorized for payment -- which goes into the receiving function in the various departments -- and all of this has to be tied into the banking function -- hopefully, so one could end up with one or two bank accounts instead of nineteen. Reconciling nineteen bank accounts is a pain in the neck. If you have to make transfer between funds in the City of Reno, for example, a simple journal entry will do nicely. We're dealing with one bank account. For the most part, in the City of North Las Vegas, for most types of transfer, we have to take the money out of this bank account and put it in over here. This can be done, but it is very awkward. It lends itself to a great deal of administrative cost and a great deal of confusion. Everybody tries hard -- and I don't want any implications here that they are not trying to get the job done. They are. The system that they employ is simply awkward for this.

Senator White: You've indicated a figure here of \$50,000.00 to \$75,000.00 and I am wondering who we can contract with for this. Is there an entity with whom we can contract to provide this service for us?

Mr. Bergstrom: Many organizations, including ourselves, do this kind of work. The derivation of the figure you quote was made by our own systems people in trying to come up with some evaluation of what probable cost would be to the city.

Senator Farr: If, as in your report here, funds for sewer and water increase must go back to the point of origin -- or where the debt service lies -- could they be used for firemen's and policemen's salaries. I had read that we would have to increase sewer fees and water fees to pay for these salaries -- and now that I read your report, it indicated that that might be somewhat illegal.

Mr. Bergstrom: We suggested that interest earned in bond proceed funds and debt service funds stay in the debt area and not go into the general fund. We did not suggest that it is improper or immoral or illegal to finance general fund activities out of utility revenues. This is, in fact, being done by some communities in the state -- so long as the obligation of the utility is first attended to. In the City of North Las Vegas if their water rates and sewer rates had been sufficiently high over the years to accumulate a surplus in the utility funds, it would be wholly proper for them to transfer certain of these surplus revenues to the general fund for operation. And frankly, from the standpoint of the City of North Las Vegas, and its very weak ad valorem position, it would make good sense. Whether the citizens of North Las Vegas would like it or not is another question. The Council would have to resolve that.

Senator Dodge: On these differentials on interest charges between what the obligation of the bonds in the assessment district might be and what the city charged the people in the assessment district, what was the widest differential you found?

Mr. McGhie: Some of them were 7% and the bonds were at least over 4 -- between 4 and 5. Therefore, there was a differential of 2-3% in some instances. We could establish that.

Senator Dodge: What uses were made of those interest differentials? Did they go into the servicing of those assessment obligations, or were some of those things diverted into the general fund.

Mr. Bergstrom: This type of interest differential was being used to service the indebtedness of the special assessment funds. No other use was made of it that came to our attention.

Senator Dodge: What motive would a city have -- and I don't say this with any inference involved -- for a 2-3% differential where it didn't appear there was going to be any trouble in the repayment of the obligation?

Mr. Bergstrom: There are two answers to that that I believe are appropriate.

First, some communities have considered this -- to make on-going charges to special assessment districts for the cost of the services required in making annual billings for the special assessments. Obviously, this requires some money to be made available into the assessment district in excess of those required to retire the debt. The other answer is that I don't believe the city had known in which of its districts -- or at least hasn't known until recently -- is it going to be generating a surplus and in which of its districts it was going to be generating a deficit. Lacking that knowledge, it would not be at all unreasonable to go ahead and make excess assessments in each area where you thought it might be appropriate. I am not going to try and second-guess the city here as to why they did it in some of those situations, but I assume they did it because they didn't realize they were generating a surplus.

Senator Dodge: But they weren't doing it as a method of financing?

Mr. Bergstrom: Not as a method of financing the general fund. The area where it becomes a method of financing general fund activities, is in those funds where there's going to be a deficit -- because a deficit would have to be met by the general fund. So to the extent that we can collect excess interest and reduce the deficit -- obviously we eventually benefit the general fund activity.

Mr. Hilbrecht: In addition to the violation of regulation 65-1 of the Nevada Tax Commission were you able to ascertain whether there were any violations of the bond covenants of that bond issue? Was the transfer of the \$524,000.00 which is in violation of the regulation, also in violation of the bond covenants and bond ordinances?

Mr. Bergstrom: There seems to be a feeling among many attorneys in this field that the use of bond proceeds to service the debt of that particular bond is not improper.

Mr. Daykin: I would concur certainly that use of the bond proceeds for service of the bond issue from which they were derived was proper. I would question very strongly the propriety of the diversion to any other purpose. However, the essence of the city's position is that this is a temporary loan and is not a diversion.

Senator Dodge: Didn't you say in our earlier meeting when we met that you found no violation of the bond covenants in this case.

Mr. Daykin: That is correct, Senator, because none of the bond covenants related to use of the bond proceeds. The bond covenants are extensive with respect to the sewer fees and to the mechanism of servicing the bonds.

Mr. Hilbrecht: My memory may not serve me correctly, but as I recall this was the sewer project which was, in essence, aborted or at least delayed -- based on a later engineering advisory. The distribution

or collection system was installed -- that portion of the project was substantially completed, but a balance which would have been applied under the bond issue to the building of a plant was delayed -- because of lack of funds available. Isn't there something here, in this kind of a issue, that indicates that you cannot dissipate this kind of a fund?

Mr. Daykin: As I said, there was no violation of the bond covenant, because the bond covenant did not contemplate this situation. The general case law is that the proceeds of such an issue should be kept intact until they can be expended for the purpose for which the bonds were issued -- or, until the bonds are redeemed. However, temporary borrowing may be had of these sources, if it is certain that the borrowing will be repaid before the proceeds are needed for their fundamental purpose. There is a rather thin line of cases, Ty, that comes out of Illinois and I am not sure whether the facts of this situation lie wholly within that exception -- but that is the theory upon which the city attorney and city government were proceeding.

Mr. Nickson: The Tax Commission is authorized, also, to make regulations upon the advice of the local government advisory committee -- governing the entire Chapter 354 pertaining to the local government budget act. Such regulations are filed under the administrative procedures act. Whether they're law or not, I haven't the vaguest idea.

(Mr. Bergstrom at this point called Mr. Hilbrecht's attention to Schedule No. 2, roman numeral VI, which is the balance sheet of the general obligation bond project construction fund.)

Mr. Bergstrom: I also want to call your attention to Schedule No. 4 -- which you will recall deals with the under-funded special assessment districts. If you will notice in the Liability section, since obviously these are liabilities of the specials -- there is a category Negotiable Warrants Payable Held By the City of North Las Vegas -- a total of \$469,000.00 involving these particular special improvement districts. Each of the other schedules relating to the specials read the same way. You will notice here, from a practical point of view, that a number of these warrants are outstanding on issues where the bonds have already been sold. In other words, we sold our bonds, and we still didn't have enough money to meet our obligations so we used the interim warrant technique as a means of meeting the cost. We are suggesting that the special assessment districts go out and do their borrowing from the bank. I would also like to point out that those interim warrants are interim general obligation warrants. They are not simply obligations of the special assessment district itself. They are general obligations of the city.

Senator Farr: Is that interim warrant procedure a new technique in the budget act as far as terminology is concerned -- or has everybody been using it?

Mr. Bergstrom: Now, it is not a new technique. I don't think it has been widely used -- at least in our experience it hasn't. It is

seldom used up north. Washoe County had occasion to use interim warrants in the Hidden Valley project. It is not a bad technique and is a good financing tool. We are simply suggesting, that like any good tool, it should be used the right way. It is not provided for in the budget act; it is provided for in the local improvement act.

Senator Dodge: There is something I think can endanger the whole city structure -- and that is -- if you do have default in an assessment district you not only leave the city in the position of not having funds that they rely on that they have loaned, but am I not correct that if this has to come back as a general obligation responsibility of the city, the impact is doubled up because of the lack of available funds that were relied upon, plus the necessity of digging up money somewhere to try to cure the general obligation default.

Mr. Bergstrom: This is what we mean when we say that big brother's not watching on one of these things, if no outsider is interested at all.

Senator Dodge: Isn't this what you call financial incest?

Mr. Bergstrom: It could apply to this particular case very easily. The use of an interim warrant in this manner can be used to cover up mistake after mistake, after mistake. We're not suggesting that is the case here. We didn't go into it to find out whether it was or not -- we didn't have that much time, but it can be used that way. You just cover up so many mistakes and you have enough interim warrants outstanding that you've bought yourself and your financial statement looks great until somebody gets in and looks at what those assets are really worth and all of a sudden you've got a big problem on your hands. Your point is well taken, sir.

Chairman Gibson: In your recommendation for statute changes, you're silent on the interim warrants. Why?

Mr. Bergstrom: Because I have an opinion from the Legislative Counsel Bureau that such warrants are not a lawful investment of the city. If it is the judgment of the legislature that they would like to reaffirm this so that there could be no possible question in anyone's mind in the future -- obviously statutory modification is appropriate.

Chairman Gibson: Is this opinion based on clear language in the law? We were told by the city that it was okay, because it is not specifically prohibited. There is a philosophy now that if something is mentioned, it's okay. I wonder if we shouldn't spell this out.

Mr. Bergstrom: If there is any question at all in anyone's mind as to whether or not it's a proper investment for a city, I strongly recommend that you spell it out. The only reason we didn't put it into the recommendation and the report is that we have tried to avoid recommending that you do something you've already done somewhere else.

Mr. Lingenfelter: I still didn't get the complete answer on this -- and it's bothering me -- if a bond is sold at, say, 5% and the city charges 7% -- and if there is an overcharge on this -- at the end of the period of time when this is paid off, they're going to pay back to the people that have been paying that bond only the 5%. There's a 2% over-ride, am I right?

Mr. Daykin: The city can spend what it takes to service the bond, then, if there is left as the result of charging this 7% interest to the homeowner, any surplus, that surplus, which would be in effect the 2% difference, must be refunded prorata to those who paid into the fund.

Mr. Hilbrecht: Are these \$800,000.00 worth of warrants reasonably current or are they turned over every year and new warrants substituted for them?

Mr. Bergstrom: Yes, sir. Some of these are paid off and replaced by other warrants. It's sort of the nature of the beast -- but generally speaking, some the end of the year, if we don't have the money to pay them off (if the project hasn't been finished and the bonds sold) we simply roll them over.

Mr. Hilbrecht: I take it then that that is where the violation of regulation 65-1 came into being, is that right? Because they were rolled over long after those came into being and does not constitute a repayment in full of an interfund transfer.

Mr. Bergstrom: Violation of 65-1 would appear, in our judgment, to be involved in two things. First, the actual transfer of the money from the city bond proceeds fund to the special assessment district as the purchase price of an interim warrant -- and such interim warrant is not a proper investment of a bond proceeds fund. Therefore, if it isn't an investment for the interim warrant, money has not been transferred for purchase of the interim warrant, it has been transferred as an interfund loan. There is no provision for this either.

Mr. Hilbrecht: You keep saying this is not a proper investment for a city, but if it is a lawful investment, why is it an improper investment? Or is it a lawful investment?

Mr. Bergstrom: Let me rephrase what I said, interim warrants are not a lawful investment of the cities.

Mr. Lynch: Mr. Chairman, I know you don't want to start any adversary discussion on this, but I think the committee should understand the basis upon which our city council and city attorneys and our staff has followed this practice. It is clearly stated in section 105 of the charter of the City of North Las Vegas, in chapter 3, "it shall be legal for the State and any of its agencies, the departments of political subdivisions or any other public body to invest funds or monies and the custody thereof, in any of the bonds authorized to be issued pursuant to the provisions hereof." The interim warrants that we're talking about are general obligation credits of

the city and are stronger than the bonds mentioned here and it is upon that paragraph that we relied for a program of investing in our own interim warrants. There is, certainly, a question of language that would have to be clarified before anyone could say that this was a wrongful act of the city.

Mr. Daykin: It refers to bonds issued by these special assessment districts, but does not refer to interim warrants. Mr. Lynch made the further inference that because these are general obligation warrants, they are better than bonds, but of course that is an inference unsupported by any statutory language. General obligation bonds of the Dominion of Canada are probably better obligations than the general obligation warrants of the City of North Las Vegas -- but I am not aware of any statute that would make them lawful investments for the city.

Mr. Bergstrom: A proper illustration, I think. Apparently there is sufficient question as to the propriety of this sort of thing as an investment that, with your permission, I will very strongly add additional recommendation to those included in the report to eliminate the conflict entirely and provide specifically that interim warrants issued under section 271 of NRS or a comparable provision of any municipal charter, not to be a lawful investment of any Nevada municipality.

Mr. Daykin: While we are pursuing the subject, Mr. Bergstrom, would you recommend that a city be authorized or forbidden to invest in its own bonds or obligations?

Mr. Bergstrom: I can see no purpose in a city being permitted to invest in its own bonds or obligations of any kind.

Senator Dodge: Does 65-1 in effect prevent the roll-over of the interim warrant?

Mr. Bergstrom: I don't know that it would, sir, and I don't know that it should.

Senator Dodge: It says that it requires that the interfund loans must be paid in full during the year of transfer.

Mr. Bergstrom: That's correct -- to the extent that if there's an interfund loan such as this \$524,000.00, it is not an interim warrant and it should be repaid within the year of transfer or an emergency loan procedure should be followed.

Senator Dodge: Well, how about the propriety of the roll-over of the interim warrant?

Mr. Bergstrom: I find nothing wrong with this, sir. It could be bad financial management in many conditions but I find nothing unlawful about it.

Senator Dodge: It could, in fact, be prompted by a situation of almost complete insolvency, couldn't it? Where you keep postponing the obligation.

Mr. Bergstrom: This is particularly true if the warrants are owned internally. If the warrants are owned outside where we think they ought to be owned, then we would suppose that the banker or the private investor buying these things would be a little cautious.

Mr. McGhie: We have it recapped here for the year ended 6/30/65, there was \$151,825.00 transferred. For the year ended 6/30/66, there was \$104,000.00 and for 6/30/67, there was \$150,000.00 (approximately) and for 6/30/68, approximately \$130,000.00, so it was over this period of time.

Mr. Branch: I assume, then, that this transfer of \$524,000.00 would come under the Nevada Tax Commission regulations of 1965.

Mr. Bergstrom: It's some kind of a peculiar animal that has two heads and four ears. It doesn't fit in any category. As of yesterday morning, it wasn't in anything. There was no note. There was an expressed intent of the council, as discussed with us and discussed with the city's independent auditors -- who brought this to the council's attention last year. It was an agreed intent that this would be paid back -- but it wasn't an interfund loan in the true sense of the word -- that there had actually been documentation for under 65-1 for an interfund loan. It certainly wasn't an interfund warrant. I don't know what it was. It was an advance from one fund to another. There was no provision of law of which I am aware that authorized such a thing.

I might point out that if the council had not taken the position they did, it appears to me entirely reasonable that they could have said, "We won't repay the \$524,000.00; it was used for debt service and it is proper to use the bond proceeds for debt service -- therefore, we won't pay it back at all. We'll just forget it." I think, sir, that they could have taken this position and we wouldn't be arguing about the \$524,000.00. As it is, they have said, "We will pay back the \$524,000.00." It is a very unorthodox transaction.

Senator Farr: In plain language, do you think after your audit that without any financial or fiscal increase in the City of North Las Vegas that they can survive another year without some help? You've indicated raising business licenses and other things -- they have already done that and gone as far as they can. Is there any way for them to survive other than the two methods that you've mentioned -- additional revenue or consolidation?

Mr. Bergstrom: Additional revenue, consolidation, are two of them. The oldest form known to man is one -- belt tightening, is the other one.

Senator Farr: Well, can they survive by tightening their belts and cutting back services?

Mr. Bergstrom: Yes, sir. This depends on what you call surviving. They cannot survive on the diet to which they have become accustomed. I suspect they would have to reduce their staffing throughout the city -- and I assume this would apply to almost every department.

Senator Farr: This has serious implication, too. When you're dealing with your citizens and you cut back services, then you increase other risks ---

Mr. Bergstrom: The area of concern here is, to my way of thinking, what happens in this forthcoming election. If the people of North Las Vegas vote down the increase in firemen's salaries, the city's belt will be tightened for next year, but it won't be quite so painful. But if the salary increases go in and there is no supplement to their present revenue sources, they're going to be pretty hungry the next time there's another session of the legislature.

Mr. Laird: I would like to clarify this question of an over-ride in interest over the amount of interest borne by bonds -- and I'm afraid that if North Las Vegas is guilty, we are also guilty of the same thing. Some years ago, on the recommendation of our bond counsel -- who happens to be a very reputable and conservative firm -- we started adding one-half of one percent and the bond counsel suggested that we do this to reimburse ourselves for the added overhead in servicing these issues over a period of 10, 15 or 20 years -- whatever it might be. Actually, it was my opinion and theirs, that this extra interest would not be refundable to the property owner, but merely went as an administrative cost to reimburse the city for administrative costs. It was my opinion all the way through, that any excess principal of an assessment roll over the actual cost, would be refunded regularly to the property owners. Maybe I was wrong and maybe we're guilty, too.

Mr. Branch: You made the comment about the money being applied toward the debt service. What debt service?

Mr. Bergstrom: There was, out of the sewer bond proceeds, some \$600,000.00 transferred for this service. Of this sum, as I recall, \$524,000.00 was applied to debt service of the sewer utility. There were other amounts that were applied for the debt service of other general obligation bonds. To the extent that the proceeds were used for other general obligation bonds -- as Mr. Daykin has already suggested -- it would appear improper not to repay the bond proceeds fund. To the extent that the monies were used for the sewer bonds, it would appear not improper to ignore the matter entirely. What I am trying to say, sir, is that some of this should have been paid back. Some of it could have been ignored. I was generalizing -- and perhaps I overdid it -- when I said they could have ignored the \$524,000. They could not have ignored it all. They could have ignored some of it.

Mr. Hilbrecht: Are these so commingled -- or is there an accounting so you can tell how much of it was applied to proper debt service and how much of it was applied toward other debt service of the city, if any?

Mr. Bergstrom: Yes, this can be identified. These are unaudited figures, so I can't speak for how valid they are, of course. The

sewer bonds, \$472,275.00 are by far the great bulk of the money we're talking about. Water bonds, \$52,000.00 and that is all of it -- \$524,000.00. Actually, I think the city has taken upon itself an obligation here which it really didn't have to, I believe, at least to a substantial extent. I don't think they're being unfair, either to the bond holders or to the people in the city in the way they're approaching this particular problem.

Senator White: I think we should ask the City of North Las Vegas -- the Mayor and some of the Council members are here -- if they did, in fact, take any action on their meeting last night to spell out the intent of repayment of this money.

Mr. Lynch: Mr. Chairman, the Mayor and Council had a special meeting at the regular time in the Council chambers last night and unanimously passed a motion authorizing the Mayor to sign an evidence of debt, the details of which will be arranged by our CPA and your CPA in the future. This is already a matter of record.

Senator Farr: In your audit report, on the revenue side -- and that's all revenues coming into the city, bonds included -- did the revenues cover all expenditures of the city for the last fiscal year?

Mr. Bergstrom: In our examination, we did not examine the financial structure of the city on an accrual basis for the last fiscal year. We made a balance sheet of December 31st, last. I'm not trying to beg the question -- but I'm trying to set a proper background here for answering it. In order to answer the question properly, we'd have to really be dealing with accrual basis statements which, as we previously said, just aren't available. As far as whether or not the city is meeting all of its obligations, I would like to exclude the bond proceeds. The sewer fund operation is not generating revenues sufficient to pay the debt service that it's required to pay and to maintain its operation reserve also. It did not do so last year or the year before that.

Senator Farr: This is not pointed at this city administration, but you have a revenue and expenditure column in city government and how can you expend more than you receive in any respect? And in this case you've indicated that this might be the case.

Mr. Bergstrom: It is the case with one exclusion and the way you do it is by using bond proceeds to pay off the debt service in a particular fund.

Mr. McGhie: If you'll look at Exhibit A, page 3, you'll note the first number amount in the General Fund, which is \$238,563.00. That's the reserve for excess of Unexpended Current Appropriations over Unrealized Estimated Revenue. This figure, as we explain in the footnotes, represents the difference between what was estimated as revenue and what was estimated as expenditures to the end of the date. That is the reserve on surplus, so if we took that figure and we put it down against the \$105,000.00 deficit at

this date that General Fund had a surplus amount -- disregarding the future appropriations. So in all likelihood their revenue for the first six months exceeded their expenses by about \$100,000.00.

Mr. Cleland: I might say that this Council has always welcomed constructive criticism, and made use of most of it. Mr. Andrus can testify to that. But in your audit did you find any area of what you might call malfeasance in office of any department where a fund were deliberately misused for any other purpose than city business?

Mr. Bergstrom: No, sir.

Mr. Cleland: Well, I'm sure this will disappoint a lot of people.

Mr. Bergstrom: We did find certain areas where expenditures had been made on city business, where some governments would have made those expenditures and other governments would not have. We did not find any expenditures that have been made that were not for city business.

Mr. May: I have just one short question. We have spent a good deal of taxpayer's money in accumulating this particular report. I want to compliment you. It is very well done and very accurately presented. But there is a problem in communications in getting this back to the average Nevadan and specifically, the average North Las Vegas. Your firm specializes in municipal audit and among those various political subdivisions that your firm has audited, if you take a scale of 1-10, with 1 being the very worst possible condition achievable and 10 being the best possible condition, within and without the State of Nevada, how would you rate the City of North Las Vegas?

Mr. Bergstrom: It's an unfair question, sir. I would answer it only to the extent of saying I wouldn't put it on top and I wouldn't put it on the bottom, either.

Mayor Taylor: It has been very interesting. We haven't received a report as yet on this audit, but I assume we will receive a report. There are some things that I've learned that I didn't know about in our city. I do think that something has come out of this and that is, what we've been talking about over the years has helped the legislature -- not only for the City of North Las Vegas -- but I think the City of Las Vegas as well as Henderson, most of the cities in the State are in this position or will be in this position especially if we have our wage increases that are anticipated. Therefore, it's necessary that some kind of legislative action take place to alleviate this condition. It is my feeling that if it had been done some time ago, perhaps we wouldn't be here today -- because all anybody tries to do, if their income isn't increased, is try to make ends meet and that's exactly what's happened in the City of North Las Vegas.

Mr. Lynch: I agree with so much of the constructive criticism made by this firm that I'm embarrassed by the load of material we brought up for your group to study. Not knowing what would be discussed here, we had to be

prepared for any question that might come up. We prepared for you a folder which included an Exhibit B and we have repeated this and given you much of the same material we brought up before on January 27th. I would ask that on Exhibit B, you compare those figures which we presented as the picture of the debt of the City of North Las Vegas and compare it with the schedule prepared by your CPA. I think that you'll find the only significant difference is the difference created by SB-148, chapter 172, which changed the dollar value of the bonds outstanding for Nellis Industrial Park, assessment district No. 30. I don't think we need to comment on those because your auditor has mentioned many of the figures already that are directly comparable and directly out of our Exhibit B.

Insofar as the accounting changes, changes in our accounting procedure and system of bookkeeping, I would expect you to understand that our finance department has been subjected to three and a half years of constant harrassment and investigation. The effort to go to modified accrual, to put a lot of our functions on machine bookkeeping, has been materially hampered by that. I find no fault with the effort made by your auditors, but I say that over a continued period of time, we have had this problem and have had to put up with it and have had to delay improvements that are indicated. I would point out further insofar as the accounting changes recommended that they sound very similar to SB-311, in which the State is endeavoring to do the same thing with a number of its funds.

A number of times, it was mentioned that certain funds of the ad valorem debt service of the city were placed in General Fund and utility debt service of the City put into General Fund, also, and the interest earned by bond funds were put into the General Fund. I would like you to turn to Exhibit N, which is in our folder; this is one of nine similar sections which authorized the issuance of the 1963 bond issue. Reading down from the top of Section 24, "The interest falling due on said General Obligation shall be paid out of the general fund of the City," with specific instructions over the last seven years that all of our ad valorem debt service for these bonds was to be taken out of the appropriate sources, put into the General Fund -- also taken out of the utility revenues and put into the General Fund.

Any interest earned by debt service by bond funds also were to be put into the General Fund -- from there into a bond retirement fund. Upon the advice of your CPA and concurrence of our CPA, our City Council has amended the budget for the coming fiscal year. There is a copy of the budget in your file as Exhibit O, which clearly states that in the future, we will rely on your advice and those CPAs and the language at the bottom of this same section, which says "Nothing herein contained shall be so construed as to prevent the City from applying any other funds that may be available for that purpose . . ." and so on, so that we can avoid the transaction of taking these three sources of money, putting them through the General Fund and then out to retire bonds.

If you will look at Exhibit O, our budget is marked on page A, lower right-hand corner, Tentative Approved \$3,073,136.00. Likewise on page 11, \$3,073,136.00 and the General Fund of the City of North Las Vegas for its

coming fiscal year will not handle any of the debt service either for the debt service general obligation bonds, debt service utility or interest earned by any outstanding bond fund. This was adopted by the City Council at last night's regular meeting and submitted to the Tax Commission today. I would say this, Mr. Nickson has also concurred in the letter of instruction to us that these funds not go through the general fund. It is a matter of question that has come up, which has been clarified and acted upon. We want you to understand that we not only appreciate constructive criticism from your CPA, but we have already acted upon much of it.

In regards to the discussion that was made about our salary allocation, quite a few people come in and look at the budget to determine what the City Manager's salary is -- and I'd like to say that that is not the appropriate place. You've got a payroll to find that in and it is regularly put up on the bulletin board. If you want to find out what our salaries are, you don't look to the budget. On Exhibit P, which is also in your folder, we show you each one of the functions of the City, which is partially funded by the General Fund and partially funded by other funds of the City. Attached to it, person by person, item by item, is our estimate of the amount of time and the amount of money that should be charged to each of the funds of each of the individuals involved. As far as we're concerned, it does tell you what the City Manager's office costs the General Fund -- even if you have to go to three different funds to find out what the City Manager's salary is -- or simply look at the payroll.

In regards to the Exhibit, I'll have to rely on you Lee, to tell them what page we're working on. You have an Exhibit which lists all of the ten funds of the City and a balance sheet for each of them.

Exhibit A, page one -- specifically starting at the left-hand column -- a balance sheet on our General Fund. You will have to go to page three, which gets down to the total and to the Fund balance. In this instance it indicates \$105,654.00.

Primarily as it was pointed out, if you go three numbers up, you find a figure of \$238,563.00 which has been allocated as reserve for the syndrome of taxes coming in bigger in the beginning of the year. I shouldn't have to point out to Senator Farr that there is also the syndrome of department heads who purchase like mad at the beginning of the fiscal year, nor should I have to point out that in the peculiarities of our budget, most of our debt service (principal debt service payments) come in November, which again are in the first half of the fiscal year. While I don't want to object to or argue with your CPAs about \$238,563.00 being the proper figure, because I saw the figure before and I agreed to it before, I do say that this is subject to interpretation and it is also subject to administrative control from January 1 to June 30 -- both of salaries, overtime and expenditures and our city intends to bring the General Fund within the proper limit by June 30th. As a matter of fact, in our budget, we have specifically shown how we will, in the estimate of earnings for the current year.

On the item of our utility fund, on the same page, again going to page three in Exhibit A it shows a balance in the hole of \$400,158.00. I want to be sure again that we are labeling this as a modified accrual deficit on a fund that has operated on a cash basis in a city that has operated on a cash basis. Again, our City Council has indicated its willingness to pay back the \$524,000.00 which is the only reason that figure is in parenthesis. On Schedule No. 1, Bond Project Fund, \$524,354.00. We are showing in that particular fund then a modified accrual deficit because we are willing to pay this money back to the Bond Project Fund.

Just in passing, I made a note here on consolidation and it has already been explained that you cannot necessarily solve a problem of a city that has financial difficulties by consolidating it with two other cities that have financial difficulties. I think the most pungent example of an effort at consolidation has been a consistent five-year effort on the part of the City of North Las Vegas to ask the Clark County to take care of our data processing. They have all the hardware necessary to take care of ours and many others besides their own work. Consistently, we have gotten quotations from them which cost us twice as much as we're paying First National Bank to do it. I don't think that consolidating that function at twice the price would save us any money or them any money.

Mr. Bergstrom: I might suggest that you might get a different quality of service that might reduce your other administrative costs.

Mr. Lynch: You took some exceptions to some of the expenditures that were made from the bond funds -- notably, the \$154,000.00 which was used to retire the bonds for the old City Hall. You were kind enough to mention that our bonding attorneys in Denver ordered us to do so or we could not proceed with the issuance of the bonds for the new City Hall. They did not give us any advice as to how to do it. I can't find any documentation in the file that says specifically that this is the way we should do it. As a practical business matter, the City of North Las Vegas had been criticized from time to time for using business methods instead of public methods -- we went out and borrowed \$154,000.00, paid off those bonds and delivered them, got the new bonds issued and from the proceeds of that bond issue, paid off the \$154,000.00 of old City Hall bonds. As a matter of fact, it is documented in the record that I mentioned to the Council at the time, that not only was it necessary business, but it did the further benefit of releasing any encumbrance whatsoever on this old City Hall and old City Hall bond property -- together with the same transaction we made with Pardee Phillips where they were agreeable to removing the reversion clause on that land making it a clear asset of the City.

At your leisure, I have indications in your folder on Exhibit R, the votes of the people in North Las Vegas in 1963, wherein the voters (on the final sheet in the back) approved that bond issue 65%-35%, which is evidence of the public support and demand for the kind of improvement programs we've been on.

The next exhibit is Exhibit S, which lists all of the assessment districts and the public hearings and amount of protests and over the last eight years, the public protest against our assessment district program has been less than 2% total. A City Council faced with this kind of public support and public demand should not be criticized for using whatever financial methods it can legally establish to accomplish the improvements.

Likewise, I have, under Exhibit T, a list of all the capital improvements that were done by our special assessment district program, 28 miles of streets, 61 miles of sidewalks, 1,400 street lights and I have another briefcase full of additional information. Most of you have seen what has been built in North Las Vegas as a result of the efforts we've made in this direction.

One place where I disagree with the analysis that has been made so far -- and I'll ask you to look at Exhibit U -- in our last CPA audit (June 30, 1968 audit) there was a similar Schedule A of all of the funds and a balance sheet of each of the funds of North Las Vegas. There was also a total. You'll find on Exhibit A, Mr. Bergstrom's firm has not given a total. As a matter of fact, when we discussed this in my office some time back, he said that you cannot add oranges and apples together and that all of the fund can't be added together to show a combined balance sheet total of the City. If I asked you how many pieces of fruit are in that bowl, you can add oranges, apples and bananas together and come up with an answer.

And I say that the only way to properly show the total financial position of the City of North Las Vegas is using exactly these modified accrual figures. Take all the figures on Exhibit A, total them out for the entire City. We have done this and our CPA has been kind enough to check it and find two minor errors in it this morning, which we corrected before bringing you the Exhibit -- and we think it is significant that in spite of all the deficit conversation about our City, if you take the balance sheet of everything we operate and add them all together, there is the fact that we've got liquid assets in cash and investments of \$2,968,985.00. If you go to the back page and look at our combined fund balances, you'll see it is \$2,391,703.00. We would like to have an opportunity to examine Mr. Bergstrom's report more carefully, primarily because I think we can get more meaning out of it than just hearing it. Also, if there are any further items that need explanation, the City of North Las Vegas would be more than happy to make it.

-- End of verbatim transcription --

At this point, Chairman Gibson asked if there were any further questions from the Committee members. There being none, the meeting was adjourned.

Respectfully submitted,

Patricia F. Burke
Patricia F. Burke,
Committee secretary

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CERTIFIED PUBLIC ACCOUNTANTS

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SCOPE

We were engaged pursuant to SCR 11 of the 1969 Legislature to assist the appropriate legislative committees to evaluate the financial position of the City of North Las Vegas and to examine such aspects of its financial administration as we considered appropriate. We were further directed to recommend to this Legislature methods by which the City's fiscal operations might be improved, and further, general legislative action which would be appropriate to all municipalities of Nevada.

CITY OF NORTH LAS VEGAS, NEVADA
DECEMBER 31, 1968

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DECEMBER 31, 1968

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March 24, 1969

To the Legislature of the
State of Nevada
Carson City, Nevada

Gentlemen:

Pursuant to the terms of our engagement we have reviewed the financial records of the City of North Las Vegas and have prepared therefrom the attached balance sheet at December 31, 1968. In the conduct of our examination we have relied upon the work of other independent accountants presently engaged in auditing records of the City (and upon certain work done by their independent accountants in prior periods). Although their examination is being made in accordance with generally accepted auditing standards, we have mutually concluded that certain material auditing procedures are impracticable of completion (see also note 14 to balance sheet).

We are unable, therefore, to express an independent accountant's opinion on the attached balance sheet.

Respectfully submitted,

Kafoury, Armstrong, Bernard and Bergstrom

I. FINANCIAL POSITION

Our comments below deal in brief form with the financial position of the City's several funds as disclosed in Exhibit A.

General Fund:

General fund liabilities and reserves are \$105,000 greater than the assets of that fund.

A restoration of a proper surplus in this fund will require extreme conservatism in the City's expenditure programs in the next several years, particularly if supplementary revenues are not made available.

Utility Funds:

The operating deficits of the utility funds may be traced directly to two conditions discussed later in this report:

1. Voluntary assumption by utility funds of the obligation to repay advances from sewer bond proceeds employed to service utility bonded debt, and

2. Failure of the City administration to increase sewer use fees to a proper level.

General Obligation Debt Service Fund:

The general obligation debt of the City is paid from this fund. Contractually, it is actually comprised of a large number of debt service funds specifically provided for by bond ordinances. Although the debt service for each issue is effectively accounted for, the prescribed detail fund structure has not been established in the books of account.

General Obligation Bond Projects Construction Funds:

These funds, described in detail in Schedule No. 2 represent resources obtained primarily from the 1963 bond issues but not yet applied to the purposes for which the monies were obtained. We note that only \$456,074 of these monies is represented by cash or obligations of the United States.

Interest earned on investments in negotiable warrants and from promissory notes have, in recent periods, been credited to the General Fund rather than to the Sewer Construction Fund, as would have been proper. Only interest from investment in obligations of the United States is eligible for transfer to the General Fund (NRS 355.170).

Basic Water and Storm Sewer Fund:

This fund is utilized for construction employing Federal basic water and storm sewer grants. It generally operates from a deficit position, since the City must advance funds for project support prior to determination of specific Federal participation.

Motor Equipment Working Capital Fund:

As the description of this fund suggests, its function is to operate a motorpool for all City departments. Were its inventory of gas, oil and parts properly recorded, the indicated deficit would probably become a small surplus.

Trust Funds:

The City functions as an agent in the collection and disbursement of various items, as listed in Schedule No. 12. As this schedule indicates, the fund balances disclosed are held for others and are not available for the operation of the City. It has been City practice to utilize cash assets of certain trust funds to temporarily finance activities of others, without employing appropriate fund transfer procedures.

Special Improvement District Funds:

As disclosed in footnotes 7, 8 and 9, these funds have been grouped for presentation in relation to their indicated financial position.

Schedule No. 3 represents Special Improvement Assessment Districts (S.I.A.D.'s) with adequate funding.

Schedule No. 4 represents those with inadequate funding which, in future years, will require substantial support from the General Fund.

Schedule No. 5 represents those in development or in litigation wherein the adequacy of funding is as yet undefined.

Federal Funded Programs:

These funds represent projects administered by the City as agent for various Federal programs, as shown in detail in Schedule No. 6. Fund balances indicated are restricted to the purposes defined in the Federal programs and are unavailable for the general operations of the City. We do not consider these activities to be within the normal administrative structure of a City. They are included for information only.

II. GENERAL FINANCIAL STRUCTURE

Revenues:

The City, a community of approximately 40,000 residents, has a 1968/69 assessed valuation of \$52,455,808. Valuation for the ensuing year has increased to \$60,532,037, primarily because of reassessment. For the current fiscal period, the ratio of assessed value (in millions) per 1,000 residents was 1.311. Similar relationship for other Nevada municipalities are set forth below:

	December 31, 1968 Estimated <u>Population(M)</u>	1968/69* Budget <u>Valuation</u> (Millions)	Valuation/M <u>Residents</u>
North Las Vegas	40	\$ 52.5	\$1.311
Sparks	26	54.2	2.085
Las Vegas	150	332.5	2.217
Reno	76.5	247.3	3.232
Elko	10	18.3	1.830
Henderson	18.7	21.2	1.134

As the schedule above discloses, the City's ad valorem base is very low. Since gasoline taxes are apportioned on an ad valorem relationship, the City's share of such revenues is unreasonably depressed, both in relation to its geographic size and to its population.

Similarly, privilege taxes are apportioned in relation to personal property tax collections. The City's personal property valuation is relatively insignificant. As a result, its share of privilege taxes is minimal.

Material general fund non-tax related revenues are obtained through utility franchise fees. We are advised that a recent increase in such fees has been declared invalid in respect to its applicability to the telephone company, due to a pre-existing long-term agreement between the telephone company and the City. It is our understanding that this decision will be

* Source - Local Government Red Book - 1968-69 - Nevada Tax Commission.

appealed by the City. In the meantime, current estimated revenues of some \$31,000 and 1969/70 revenues of \$34,000 will not be available to the City.

We have not compared the level of City business license rates with those of other Las Vegas Valley municipalities.

Municipal Utilities Revenues:

Municipal utility revenues include, primarily, water and sewer service fees.

Water fees were increased to current levels in the summer of 1968, and appear adequate to discharge the obligations of the water utility.

Sewer fees, however, are inadequate to provide for the operations of the system, the retirement of its debt and a reasonable provision for construction of line extensions and replacements. With an annual debt service requirement of approximately \$175,000, a monthly increase of \$2 - 3 should be adopted by the Council. In view of the indebtedness of the Sewer Operating Fund to the 1963 Sanitary Sewer Bond Proceeds Fund (\$524,354), we believe a proper study of the operations of this fund would require a major fee increase, substantially beyond that which would have been necessary if the rates had been adjusted subsequent to the 1963 bond sale, as required by the bond ordinance.

Although we recognize the impact of a sewer fee increase on the people of the City, they, through their elected representatives, have agreed to the establishment of rates which will fully fund operations, debt service and appropriate reserves.

Special Assessment Districts:

Lacking an effective tax base to support substantial General Obligation Bonds for sewer and water lines, streets, sidewalks and electric street

lighting, such municipal construction has been funded primarily by Special Assessment District Bonds and Federal Grants-in-Aid.

Currently, the City is involved in 28 such special districts. Of these, 17 are substantially complete, bonds or long-term warrants have been issued and assessments are being collected.

In addition, two districts (A.D. 23 and A.D. 30) are in litigation and 9 districts are in various stages of development.

Generally, preliminary construction costs in these districts are financed by either 1) a cash overdraft, representing an informal borrowing of cash assets of other special assessment districts, or 2) the proceeds of the sale of interim general obligation negotiable warrants. The second alternative has been the most common. These warrants have been sold to unrelated third parties and to other funds of the City itself.

We believe that such warrants are a legitimate financing tool of a City. They are clearly authorized by the North Las Vegas City Charter (Section 68) and by N.R.S. 271. We do not believe, however, that such warrants are proper investments for temporarily idle funds of the City itself - either legally or financially. Sale of negotiable warrants to banks and similar purchasers within the normal commercial marketplace brings the pressures of prompt payment and third party fiscal evaluation to bear on the reasonableness of the anticipated project. On the contrary, internally financed projects tend to be delayed since no outside creditor is watching and pressures for prompt long-term funding are less intense.

From time to time, City charges to individual special districts become a substantial part of the total project costs. Generally, we have been unable to substantiate from departmental records the basis for the City's

administrative and engineering costs allocated to the several projects.

Although we concur that special projects should bear their attributable share of general City overhead, we believe strongly that such charges should be supported by adequate records and by a reasonable and consistent policy of reimbursement.

Schedule No. 4 presents a summary of special districts where the assets available over the life of the district will be inadequate to service district debt as it matures. Future General Fund revenues have thereby been encumbered in a present amount of \$303,580. In communities with a stronger fiscal base, such underfunding conditions are cured immediately by transfer of sufficient General Fund or construction monies.

The condition of the fiscal records of the special assessment districts is so poor that the determination of the financial positions of these districts become one of the most troublesome parts of our engagement.

We note that the negotiable warrants held by other City funds all mature June 30, 1969. It is most unlikely that long-term funding will have refunded these short-term debts by that time. We recommend that the remaining unfunded warrants be refinanced with a legitimate lending or investment house, either by the issuance of new warrants, if this may lawfully be done, or by refunding with an emergency loan procedure.

It is imperative that future assessment rolls be adequate to meet the total costs of special assessment districts. Excess assessments may be refunded, pursuant to Section 84 of the Charter, but funding deficiencies must be absorbed by the City General Fund.

Outside Funding:

The City has employed Federal Grant-in-Aid programs wherever possible for the construction of primary municipal facilities. Urban renewal, code enforcement and urban beautification programs have been liberally employed to upgrade the quality of urban facilities throughout the City. The overlapping of these programs with City or Assessment District financed improvements frequently leads to complex funding for certain projects. However, Federal participation is all subject to post audit, and, further, such post audits have in fact occurred. The reports we reviewed did not contain material exceptions to the City's fiscal administration of the projects.

III. 1963 BOND ISSUES

Exhibit B sets forth a summary of the cash transactions of the bond proceeds funds which come into being as a result of the sale of bonds authorized by the 1963 bond election and subsequent ordinances.

We believe that certain disbursements of these bond proceeds were contrary to the provisions of the enabling ordinances, as discussed below:

1. City Hall Bonds - Total Issue \$2,038,000:

Of the bonds issued for the construction of a City Hall, \$154,000 were employed to refund outstanding bonds issued for the construction of the old City Hall. We believe that such refunding was not an authorized use for the proceeds of the 1963 City Hall Bonds.

However, criticism of this action must recognize that at the time the bond election was held, no refunding was actually contemplated. The "old" City Hall bonds were additionally supported by a pledge of city water revenues. The City had received assurance from the bond holder, the State of Nevada, that this priority lien could be waived to permit issuance of the 1963 water bonds. After the bond election was concluded, and the City sought to inscribe the "old" bonds with a waiver of the lien on water revenues, it was discovered that the State agency holding the "old" bonds had sold several of them on the open market. At this point, a refunding became mandatory. We do not believe that the refunding should have employed proceeds of these bonds, since the beneficiary of the refunding was the water utility, not the City Hall. Further, such refunding should have been authorized by a second election or by legislative action.

2. Utility Bonds - Total Issue \$4,528,000 (Water \$2,202,000,
Sanitary Sewer \$2,326,000):

a) Of the proceeds of this issue, \$682,777 was used to service bonded debt, including debt created by this issue. Of this sum, \$524,354 is to be repaid by the utility funds to the sanitary sewer bond proceeds fund. No evidence of indebtedness was available for our examination, although we understand that it is the Council's intent to approve retroactively this advance at the March 31, 1969 meeting. In any case, the continued existence of this advance is contrary to Regulation 65-1 of the Nevada Tax Commission which requires that interfund loans of a cash basis local government must be repaid in full during the year of transfer.

b) Additionally, a portion of the proceeds of these issues was employed to repay advances for utility construction actually contracted for prior to the bond authorization. Essentially, the City embarked on its utility construction program before long term funding had been approved. The intent to make such payments is, at best, weakly expressed in the bond proceedings. In any case, the commitment of substantial resources to a construction project prior to approval of long term indebtedness appears imprudent, at least.

c) Observance of bond covenants:

Sections of the ordinances dealing with the 1963 Sewer and Water Bonds provide clear requirements for the rate structure of both utilities. Further, very rigid fund structures are set forth for the administration of these utilities and the service of their debt.

For example, Sections 37 A and B of Ordinance 245 recite (underlining ours).

"A. The rates for all services rendered by the sewer system to the inhabitants of the City and to all consumers within or without the boundaries of the City shall be reasonable and just, taking into account and consideration the cost and value of the sewer system and the proper and necessary allowances for the depreciation thereof and the amounts necessary for the retirement of all bonds and other securities or obligations payable from the revenues of the sewer system and the accruing interest thereon.

B. There shall be charged against all purchasers of service (except the City of North Las Vegas, and any department or agency thereof) such rates and amounts as shall be adequate to meet the requirements of this and the preceding sections hereof, and which rates and amounts from the sewer system shall be sufficient to produce revenues or earnings annually to pay the annual operation and maintenance expense and one hundred per centum (100%) of both the principal of and the interest on bonds and any other obligations payable annually from any revenues thereof (including any reserves therefor), all of which revenues shall be subject to distribution to the payment of operation and maintenance expenses of the sewer system and the payment of principal of and interest on all obligations payable from the revenues of the sewer system."

The sewer operating fund has not been administered in accord with the above principles.

Additionally, requirements for monthly deposits for debt service and for maintenance of the prescribed fund structure have been ignored.

IV. ACCOUNTING AND INTERNAL
FINANCIAL CONTROL

The City employs the data processing facilities of a local bank for the maintenance of its general accounting records.

Utility billings are presently prepared employing mechanical accounting machines, although a conversion to the bank's automated system is presently in progress.

Special assessment billings are made by the Clark County Assessor based entirely upon information provided by the City. The detailed subsidiary records of assessments paid and unpaid are maintained by the City in manual form.

The City employs the cash basis of accounting for all funds. Nineteen commercial bank accounts are employed.

Generally, fiscal controls of city revenues are weak or non-existent until such revenues are actually collected and recorded in the City's general accounts.

The general accounting structure does not provide for segregation of all assets and liabilities among the several funds, nor for the recording of many of such assets and liabilities, as provided for by the Local Government Budget Act.

Since the accounting records are not in a form which facilitates convenient analysis and evaluation, the administration relies heavily on abstracts of the records for operating control and direction. Several of such analyses which we examined contained significant error.

Allocations of expenditures are frequently more related to available resources than to the true nature of the expenditure. The error factor in such allocations is of such frequency as to preclude an expression of an

auditor's opinion on the revenue and expenditure records (as to classification) without prohibitive cost to the City.

The growth of the community and the relative complexity of its financing structure has made wholly obsolete its present accounting system.

Cash basis accounting for the City is equally unacceptable, in that material assets and revenues are inadequately controlled and material liabilities and fund balance reserves are not disclosed.

Like many entities, the City has attempted to automate an inadequate system. Like most of them, it now has an automated inadequate system.

V. BUDGETARY PRACTICES AND COMMENTS

The City prepares an annual budget as required by the Local Government Budget Act.

With the exceptions described below, the budgets examined appear to conform to the general practice of similar Nevada municipalities.

Exception 1 - As disclosed more completely in Footnote 5 to the balance sheet, ad valorem taxes and utility fund transfers for debt service are first deposited in the General Fund and later transferred to the Debt Service Fund. We believe that this practice is improper in that

a) Ad valorem taxes should be apportioned directly to the fund for which they are levied.

b) Utility fund contributions for debt service are required to be transferred directly to the appropriate Debt Service Fund as provided in the bond covenants.

Exception 2 - The City follows the practice of directly charging General Fund employee salaries and related employee benefits to the several funds served by such personnel. However, such allocations are not generally supported by adequate time or performance records. Further, the materiality of allocated salaries in several departments unreasonably complicates budget administration. Generally, only salaries allocable in total to non-general fund activities should be so charged directly. Salaries of other General Fund employees should be currently allocated to the proper General Fund department. Subsequently, and based upon a reasonable (and supportable) evaluation of the division of each employee's services, other funds should be appropriately charged and the General Fund should be suitably reimbursed. Such reimbursement, if allocable to a department as an expense reimbursement, should

be separately identified within the department's accounts. Thus, one can view the magnitude of a department as a whole, and, where applicable, the sources of its non-general fund financing.

Exception 3 - Budget estimates of trust and agency funds have been consolidated on a single schedule. In such form, reasonable analysis of the activities of the several funds included is not feasible. Further, many true trust items, such as, bail deposits and garbage collections, are not truly budgeted funds, and should in our judgement, not be included in the annual budget. All other funds should be individually scheduled.

VI. GENERAL

Operating statements, disclosing sources of revenue realized and purposes for which expenditures were made, have not been included in this report since:

1. accrual basis financial information has not been maintained by the City for prior periods, and
2. the time required to develop such information is prohibitive in these circumstances.

However, a review of the City's budgets for the last two years, together with an evaluation of its proposed 1969-70 budget satisfied us that the resources of the community are adequate to maintain minimum City services. We emphasize that available resources will permit only a limited level of municipal services.

Were the people of the City to approve the proposed increase in salaries for firemen, it would be mandatory for the administration to increase present license fees, other fees and charges for all municipal services, in order to provide revenues adequate to meet its increased salary expense.

In any case, sewer fees must be increased, as we have previously stated.

We strongly recommend that consideration be given to consolidation of certain municipal functions, such as police and fire protection. It is inappropriate at this time to recommend that such consolidation be effected, but the Council should carefully analyze the opportunity for economy and for a higher level of service which may be found in such joint ventures. Emphasis in the analysis should be directed to "how can we make it work?", not "this is why it won't work!"

As Schedule No. 12 illustrates, monies of certain trust funds are being used to provide interim financing for the activities of other trust funds. Nevada Revised Statutes and Nevada Tax Commission Regulation 65-1 provide more appropriate tools for such short-term financing. These procedures should be carefully followed. In fairness, we must recognize that with the City's accounting system, a platoon of C.P.A.'s could not prevent occasional cash overdrafts. An adequate system would simply not permit cash overdrafts to occur.

As disclosed in Footnote 14 to the balance sheet, depreciation reserves have not been provided for in the Utility Fund group. Generally, depreciation is not recorded in municipal accounting records except in certain municipal utilities and where depreciation reserves are called for by bond covenant. The City's utility bond ordinances do provide for depreciation reserves, and establish a forty year plant life for that purpose. Appropriate reserves should be established by the utility funds.

VII. SUMMARY OF RECOMMENDATIONS

Internal (North Las Vegas):

1. Increase sewer fees to comply with the bonding ordinances, and otherwise observe the obligations imposed by those ordinances.
2. In future bond ordinances, avoid complex fund structures, such as created for the 1963 issues.
3. Adopt modified accrual accounting for the General and Debt Service Funds and accrual accounting for all other funds, effective not later than July 1, 1970.
4. Contract for the design and installation of a proper governmental accounting system (probable cost \$50,000-\$70,000, excluding programming cost for an automated system).
5. Employ a City Comptroller with substantial experience in the satisfactory administration of a good governmental accounting system (minimum cost \$12-15,000/year). Such employment should be subject to the evaluation and recommendations of the City's independent auditors.
6. Modify budgeting practices to facilitate review of departmental operations and to support interdepartmental charges.
7. Prepare and distribute to the Council timely and valid financial reports, preferably monthly, disclosing operations to date and the financial condition of each fund (impossible with existing accounting system).
8. Avoid special assessment districts for which funding is likely to be inadequate or where there is any reasonable possibility of mass default on assessment payments.
9. Reduce interest rates contemplated on special assessments where such charges are contributing to eventual refunds payable to landowners.

10. Evaluate consolidation of municipal services with other local governments.

11. Refinance all negotiable warrants held by funds of the City.

External (All Nevada Local Governments):

1. Specifically prohibit, with penal provisions, willful violation of bond covenants. (N.R.S. 354)

2. Dedicate any interest earned on investment of bond proceeds to the project cost or to debt service only.

3. Dedicate any interest earned on the investment of general obligation debt service monies to Debt Service so long as any bonds remain outstanding and their retirement is not fully funded.

4. Analyze and establish uniform charter provisions dealing with municipal finance.

5. Analyze the revenue structure of Nevada Local Governments and adjust local revenue sources to be more responsive to population shifts.

6. Define debt limits in a uniform manner so that local governments in similar circumstances will have comparable bonding capacity.

7. Require modified accrual or accrual accounting (as appropriate) for Nevada local governments.

CITY OF NORTH LAS VEGAS, NEVADA
COMBINED BALANCE SHEET - ALL FUNDS
DECEMBER 31, 1968

	GENERAL FUND	UTILITY FUNDS SCHEDULE NO. 1	GENERAL OBLIGATION DEBT SERVICE FUND	GENERAL OBLIGATION BOND PROJECTS CONSTRUCTION FUNDS SCHEDULE NO. 2	BASIC WATER AND STORM SEWER FUND	MOTOR EQUIPMENT WORKING CAPITAL FUND	TRUST FUNDS SCHEDULE NO. 12	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 3	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 4	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 5	FEDERAL FUNDED PROGRAMS SCHEDULE NO. 6
ASSETS AND OTHER DEBITS											
Cash and Investments	\$ 56,240	\$ 188,795	\$ 23,749	\$ 456,074	\$36,267	\$8,621	\$166,698	\$ 141,872	\$ 156,539	\$ (56,351)	\$990,481
Negotiable Warrants Receivable - Held by City of North Las Vegas (Note 6)	-	-	-	861,000	-	-	-	-	-	-	-
Interest Receivable on Investments	-	-	-	49,259	-	-	-	-	-	-	-
Accounts Receivable	900	345	-	-	-	-	-	-	11,803	-	-
Water and Sewer Fees Receivable	-	95,455	-	-	-	-	-	100,051	-	23,749	-
Franchise Fee Receivable	14,445	-	-	-	-	-	-	-	-	-	-
Note Receivable (Notes 1 and 12)	-	-	-	689,202	-	-	-	-	-	-	-
Contracts Receivable	-	3,893	-	-	-	-	-	-	-	-	-
Payroll Advances	2,309	-	-	-	-	-	-	-	-	-	-
Taxes Receivable	43,595	-	50,600	-	-	-	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-	-	961,806	845,706	2,346,908	-
Special Assessment Interest Receivable:											
Current and Deferred	-	-	-	-	-	-	-	196,362	405,588	6,942	-
Delinquent	-	-	-	-	-	-	-	35,104	22,504	505,703	-
From Excess Interest Rates (Note 2)	-	-	-	-	-	-	-	101,130	109,981	2,936	-
Other Receivables (Anticipated Assessment Roll)	-	-	-	-	-	-	-	-	-	376,106	-
Amount to be Provided for Debt Service	303,580	37,735	8,130,620	-	-	-	-	-	-	-	-
Amount to be Provided for by General Fund Appropriation	-	-	-	-	-	-	-	-	303,580	-	-
Estimated Amount to be Provided from Code Enforcement Project	-	-	-	-	-	-	-	-	40,000	-	-
Due from Other Funds (Notes 3 and 5)	13,267	9,313	27,253	525,103	-	-	38,510	29,729	-	-	-
Due from Other Governments or Agencies	149,354	-	99,747	-	1,485	-	36,595	-	-	-	-
Utility Facilities and Machinery and Equipment	-	8,216,769	-	-	-	-	-	-	-	-	-
Total Assets and Other Debits	<u>\$583,690</u>	<u>\$8,552,305</u>	<u>\$8,331,969</u>	<u>\$2,580,638</u>	<u>\$37,752</u>	<u>\$8,621</u> (Note 10)	<u>\$241,803</u>	<u>\$1,566,054</u> (Note 7)	<u>\$1,895,701</u> (Note 8)	<u>\$3,205,993</u> (Note 9)	<u>\$990,481</u>

CITY OF NORTH LAS VEGAS, NEVADA
COMBINED BALANCE SHEET - ALL FUNDS
DECEMBER 31, 1968

	GENERAL FUND	UTILITY FUNDS SCHEDULE NO. 1	GENERAL OBLIGATION DEBT SERVICE FUND	GENERAL OBLIGATION BOND PROJECTS CONSTRUCTION FUNDS SCHEDULE NO. 2	BASIC WATER AND STORM SEWER FUND	MOTOR EQUIPMENT WORKING CAPITAL FUND	TRUST FUNDS SCHEDULE NO. 12	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 3	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 4	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 5	FEDERAL FUNDED PROGRAMS SCHEDULE NO. 6
LIABILITIES											
Accounts Payable	\$ 59,275	\$ 36,409	\$ -	\$ 632	\$ 199	\$10,548	\$48,891	\$ -	\$ 799	\$ 6,127	\$ -
Accrued Payroll	58,438	16,975	-	-	-	-	-	-	-	-	-
Contracts Payable	-	-	-	86,900	37,607	-	-	-	45,258	-	-
Due to Other Funds (Notes 3, 5)	27,363	567,501	-	-	38,217	-	9,219	655	-	-	220
Refunds Payable (Note 15)	-	38,939	-	-	-	-	-	-	-	-	-
Deferred Tax Revenue	-	-	2,554	-	-	-	-	-	-	-	-
Note Payable	-	-	-	-	-	-	-	-	-	100,000	-
Negotiable Warrants Payable - Held by City of North Las Vegas (Note 6)	-	-	-	-	-	-	-	143,000	469,000	249,000	-
<u>Negotiable Warrants Payable - Others:</u>											
Current	-	-	-	3,000	-	-	-	32,500	98,000	71,000	-
Deferred	-	-	-	-	-	-	-	177,500	77,000	90,000	-
<u>Special Assessment District Bonds Payable:</u>											
Current	-	-	-	-	-	-	-	47,000	24,000	-	-
Deferred	-	-	-	-	-	-	-	729,500	819,500	2,463,738	-
<u>Interest Payable:</u>											
Negotiable Warrants Payable - Held by City of North Las Vegas	-	-	-	-	-	-	-	6,271	23,031	13,926	-
<u>Negotiable Warrants - Other:</u>											
Current	-	-	-	90	-	-	-	2,950	6,760	3,660	-
Deferred	-	-	-	-	-	-	-	22,325	5,390	16,200	-
<u>Bonds:</u>											
Current	-	-	142,690	-	-	-	-	20,422	13,822	-	-
Deferred	-	-	-	-	-	-	-	163,105	309,141	8,510	-
Note - Current	-	-	-	-	-	-	-	-	-	2,120	-
Emergency Loan - Current	-	-	7,200	-	-	-	-	-	-	-	-
<u>Emergency Loans Payable:</u>											
Current	-	-	100,000	-	-	-	-	-	-	-	-
Deferred	-	-	200,000	-	-	-	-	-	-	-	-
Bonds Payable - Deferred	-	-	7,855,000	-	-	-	-	-	-	-	-
Total Liabilities	\$145,076	\$ 659,824	\$8,307,444	\$ 90,622	\$76,023	\$10,548	\$58,110	\$1,345,228	\$1,891,701	\$3,024,281	\$ 220

CITY OF NORTH LAS VEGAS, NEVADA
COMBINED BALANCE SHEET - ALL FUNDS
DECEMBER 31, 1968

	GENERAL FUND	UTILITY FUNDS SCHEDULE NO. 1	GENERAL OBLIGATION DEBT SERVICE FUND	GENERAL OBLIGATION BOND PROJECTS CONSTRUCTION FUNDS SCHEDULE NO. 2	BASIC WATER AND STORM SEWER FUND	MOTOR EQUIPMENT WORKING CAPITAL FUND	TRUST FUNDS SCHEDULE NO. 12	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 3	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 4	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 5	FEDERAL FUNDED PROGRAMS SCHEDULE NO. 6
<u>RESERVES AND FUND BALANCES</u>											
Reserve for Current Debt Service Contribution	\$ -	\$ 75,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for Refundable Excess Assess- ments (Note 7)	-	-	-	-	-	-	-	220,826	-	-	-
Reserve for Anticipated Additional Con- struction Costs	-	-	-	-	12,610	-	-	-	4,000	308,332	-
Reserve for Delinquent Assessment District No. 30	-	-	-	695,233	-	-	-	-	-	-	-
Reserve for Unfunded Construction in Progress	-	-	-	-	-	-	-	-	-	(126,620)	-
Reserve for Unearned Interest	-	-	-	21,614	-	-	-	-	-	-	-
Reserve for Excess of Unexpended Current Appropriations over Unrealized Estimated Revenue (Note 4)	238,563	-	-	-	-	-	-	-	-	-	-
Reserve for Deferred Liability on Special Assessment Districts (Note 8)	303,580	-	-	-	-	-	-	-	-	-	-
Reserve for Imprest Cash	2,125	250	-	-	-	-	-	-	-	-	325
Bond Reserves	-	-	21,000	-	-	-	-	-	-	-	-
Investment in General Fixed Assets (Note 14)	-	8,216,769	-	-	-	-	-	-	-	-	-
Fund Balance	<u>(105,654)</u>	<u>(400,158)</u>	<u>3,525</u>	<u>1,773,169</u>	<u>(50,881)</u>	<u>(1,927)</u>	<u>183,693</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>989,936</u>
 Total Liabilities, Reserves and Fund Balances	 <u>\$583,690</u>	 <u>\$8,552,305</u>	 <u>\$8,331,969</u>	 <u>\$2,580,638</u>	 <u>\$ 37,752</u>	 <u>\$ 8,621</u>	 <u>\$241,803</u>	 <u>\$1,566,054</u>	 <u>\$1,895,701</u>	 <u>\$3,205,993</u>	 <u>\$ 990,481</u>
						(Note 10)		(Note 7)	(Note 8)	(Note 9)	

() Denotes Deficit.

CITY OF NORTH LAS VEGAS, NEVADA
COMBINED BALANCE SHEET - ALL FUNDS
DECEMBER 31, 1968

RESERVES AND FUND BALANCES	GENERAL FUND	UTILITY FUNDS SCHEDULE NO. 1	GENERAL OBLIGATION DEBT SERVICE FUND	GENERAL OBLIGATION BOND PROJECTS CONSTRUCTION FUNDS SCHEDULE NO. 2	BASIC WATER AND STORM SEWER FUND	MOTOR EQUIPMENT WORKING CAPITAL FUND	TRUST FUNDS SCHEDULE NO. 12	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 3	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 4	SPECIAL IMPROVEMENT DISTRICT FUNDS SCHEDULE NO. 5	FEDERAL FUNDED PROGRAMS SCHEDULE NO. 6
Reserve for Current Debt Service Contribution	\$ -	\$ 75,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for Refundable Excess Assess- ments (Note 7)	-	-	-	-	-	-	-	-	-	-	-
Reserve for Anticipated Additional Con- struction Costs	-	-	-	-	-	-	-	220,826	-	-	-
Reserve for Delinquent Assessment District No. 30	-	-	-	-	12,610	-	-	-	4,000	308,332	-
Reserve for Unfunded Construction in Progress	-	-	-	695,233	-	-	-	-	-	-	-
Reserve for Unearned Interest	-	-	-	21,614	-	-	-	-	-	(126,620)	-
Reserve for Excess of Unexpended Current Appropriations over Unrealized Estimated Revenue (Note 4)	238,563	-	-	-	-	-	-	-	-	-	-
Reserve for Deferred Liability on Special Assessment Districts (Note 8)	303,580	-	-	-	-	-	-	-	-	-	-
Reserve for Imprest Cash	2,125	250	-	-	-	-	-	-	-	-	-
Bond Reserves	-	-	21,000	-	-	-	-	-	-	-	325
Investment in General Fixed Assets (Note 14)	-	8,216,769	-	-	-	-	-	-	-	-	-
Fund Balance	(105,654)	(400,158)	3,525	1,773,169	(50,881)	(1,927)	183,693	-	-	-	989,936
Total Liabilities, Reserves and Fund Balances	\$583,690	\$8,552,305	\$8,331,969	\$2,580,638	\$ 37,752	\$ 8,621	\$241,803	\$1,566,054	\$1,895,701	\$3,205,993	\$ 990,481
						(Note 10)		(Note 7)	(Note 8)	(Note 9)	

() Denotes Deficit.

CITY OF NORTH LAS VEGAS, NEVADA
STATEMENT OF SOURCE AND APPLICATION OF CASH
1963 GENERAL OBLIGATION BOND FUNDS
THROUGH DECEMBER 31, 1968

	<u>TOTAL</u>	<u>SANITARY SEWER</u>	<u>POLICE BUILDING</u>	<u>FIRE BUILDING</u>	<u>STORM SEWER</u>	<u>CITY HALL</u>	<u>PARKS</u>	<u>WATER IMPROVE- MENTS</u>	<u>STREET AND UTILITY BUILDINGS</u>	<u>LIBRARY BUILDING</u>
<u>SOURCE OF CASH:</u>										
Sale of Bonds	\$8,503,040	\$2,326,000	\$202,000	\$410,000	\$224,040	\$2,038,000	\$657,000	\$2,202,000	\$213,000	\$231,000
Accrued Interest Sold	35,455	9,554	851	1,700	928	8,502	2,718	9,352	899	951
Interest on Investments	250,271	108,265	15,067	14,256	12,682	59,622	12,748	10,254	14,049	3,328
Sale of Land - Pardee, Phillips	204,777	-	-	-	-	204,777	-	-	-	-
Appropriations from Other Funds	13,801	-	-	-	-	-	-	-	145	13,656
Total Source of Cash	<u>\$9,007,344</u>	<u>\$2,443,819</u>	<u>\$217,918</u>	<u>\$425,956</u>	<u>\$237,650</u>	<u>\$2,310,901</u>	<u>\$672,466</u>	<u>\$2,221,606</u>	<u>\$228,093</u>	<u>\$248,935</u>
<u>APPLICATION OF CASH:</u>										
Land Acquisitions	\$1,173,852	\$ -	\$ -	\$ -	\$ -	\$ 938,942	\$193,910	\$ 41,000	\$ -	\$ -
Construction and Equipment	5,325,922	811,623	78,440	209,218	155,965	966,381	464,598	2,180,225	214,044	245,428
Net Transfer to Debt Service	1,003,402	682,396	14,766	10,085	12,682	251,578	13,958	381	14,049	3,507
Transfer to Urban Beautification	28,000	28,000	-	-	-	-	-	-	-	-
Interfund Negotiable Warrants (Note 6)	861,000	861,000	-	-	-	-	-	-	-	-
Water Pollution Study	5,000	5,000	-	-	-	-	-	-	-	-
Redemption of 1953 Municipal Building Bonds	154,000	-	-	-	-	154,000	-	-	-	-
Repayable Transfers to Other Funds	94	94	-	-	-	-	-	-	-	-
Total Application of Cash	<u>\$8,551,270</u>	<u>\$2,388,113</u>	<u>\$ 93,206</u>	<u>\$219,303</u>	<u>\$168,647</u>	<u>\$2,310,901</u>	<u>\$672,466</u>	<u>\$2,221,606</u>	<u>\$228,093</u>	<u>\$248,935</u>
Cash and Investments	<u>\$ 456,074</u>	<u>\$ 55,706</u>	<u>\$124,712</u>	<u>\$206,653</u>	<u>\$ 69,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF NORTH LAS VEGAS, NEVADA
BALANCE SHEET - UTILITY FUND
DECEMBER 31, 1968

<u>ASSETS AND OTHER DEBITS</u>	<u>TOTAL</u>	<u>WATER OPERATING</u>	<u>WATER CONSTRUCTION</u>	<u>SEWER OPERATING</u>	<u>SANITARY SEWER CONSTRUCTION FUND</u>	<u>UTILITY RELOCATION INTERSTATE HIGHWAY</u>	<u>UTILITY FIXED ASSET</u>
Cash and Investments	\$ 188,795	\$162,976	\$ -	\$ -	\$25,819	\$ -	\$ -
Due from Trust Fund	9,219	-	9,219	-	-	-	-
Water Contracts Receivable	3,893	-	3,893	-	-	-	-
Water and Sewer Fees Receivable	95,455	44,757	-	50,698	-	-	-
Amount to be Provided for Debt Service	37,735	37,735	-	-	-	-	-
Due from Urban Renewal	47	47	-	-	-	-	-
Due from General Fund	16	16	-	-	-	-	-
Due from Housing Authority	31	31	-	-	-	-	-
Accounts Receivable	345	345	-	-	-	-	-
Fixed Assets:							
Water Facilities and Equipment	5,466,586	-	-	-	-	-	5,466,586
Sewer Facilities and Equipment	2,750,183	-	-	-	-	-	2,750,183
Total Assets and Other Debits	<u>\$8,552,305</u>	<u>\$245,907</u>	<u>\$ 13,112</u>	<u>\$ 50,698</u>	<u>\$25,819</u>	<u>\$ -</u>	<u>\$8,216,769</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 36,409	\$ 11,308	\$ 8,235	\$ 16,851	\$ -	\$ 15	\$ -
Refunds Due Others	38,939	38,939	-	-	-	-	-
Accrued Payroll	16,975	10,185	1,697	5,093	-	-	-
Due to Assessment District	29,729	-	29,729	-	-	-	-
Due to General Fund	13,125	7,875	1,313	3,937	-	-	-
Due to Bond Project Fund (Note 3)	524,354	52,079	-	472,275	-	-	-
Due to Trust Fund	293	293	-	-	-	-	-
Total Liabilities	<u>\$ 659,824</u>	<u>\$120,679</u>	<u>\$ 40,974</u>	<u>\$ 498,156</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ -</u>
<u>RESERVES AND FUND BALANCES</u>							
Reserve for Imprest Cash	\$ 250	\$ 250	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for Current Debt Service Contribution	75,620	37,735	-	37,885	-	-	-
Investment in General Fixed Assets (Note 14)	8,216,769	-	-	-	-	-	8,216,769
Fund Balance	<u>(400,158)</u>	<u>87,243</u>	<u>(27,862)</u>	<u>(485,343)</u>	<u>25,819</u>	<u>(15)</u>	<u>-</u>
Total Liabilities, Reserves and Fund Balances (Note 15)	<u>\$8,552,305</u>	<u>\$245,907</u>	<u>\$ 13,112</u>	<u>\$ 50,698</u>	<u>\$25,819</u>	<u>\$ -</u>	<u>\$8,216,769</u>

CITY OF NORTH LAS VEGAS, NEVADA
BALANCE SHEET
GENERAL OBLIGATION BOND PROJECTS CONSTRUCTION FUNDS
DECEMBER 31, 1968

		1963	1963	1963	1963	1963	1968
		SANITARY	POLICE	FIRE	STORM	CITY	CHEYENNE-
		SEWER	BUILDING	BUILDING	SEWER	HALL	DECATUR
							WATER
							IMPROVEMENTS
<u>ASSETS AND OTHER DEBITS</u>							
	TOTAL						
Cash and Investments	\$ 456,074	\$ 55,706	\$124,712	\$206,653	\$ 69,003	\$ -	\$ -
Negotiable Warrants Receivable - Held by City of North Las Vegas (Note 6)	861,000	361,000	-	-	-	-	-
Due from Other Funds (Note 3)	525,103	524,448	-	-	-	-	655
Note Receivable (Note 1)	689,202	-	-	-	-	689,202	-
Interest Receivable on Investments	49,259	43,228	-	-	-	6,031	-
Total Assets and Other Debits	<u>\$2,580,638</u>	<u>\$1,484,382</u>	<u>\$124,712</u>	<u>\$206,653</u>	<u>\$ 69,003</u>	<u>\$695,233</u>	<u>\$ 655</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 632	\$ -	\$ -	\$ -	\$ 575	\$ -	\$ 57
Contracts Payable	86,900	-	-	-	86,900	-	-
Negotiable Warrants, Due June 30, 1969	3,000	-	-	-	-	-	3,000
Accrued Interest Payable	90	-	-	-	-	-	90
Total Liabilities	<u>\$ 90,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,475</u>	<u>\$ -</u>	<u>\$ 3,147</u>
<u>RESERVES AND FUND BALANCES</u>							
Reserve for Unearned Interest	\$ 21,614	\$ 21,614	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for Delinquent Assessment District #30 (Note 1)	695,233	-	-	-	-	695,233	-
Fund Balances	<u>1,773,169</u>	<u>1,462,768</u>	<u>124,712</u>	<u>206,653</u>	<u>(18,472)</u>	<u>-</u>	<u>(2,492)</u>
Total Reserves and Fund Balances	<u>\$2,490,016</u>	<u>\$1,484,382</u>	<u>\$124,712</u>	<u>\$206,653</u>	<u>\$ (18,472)</u>	<u>\$695,233</u>	<u>\$ (2,492)</u>
Total Liabilities, Reserves and Fund Balances	<u>\$2,580,638</u>	<u>\$1,484,382</u>	<u>\$124,712</u>	<u>\$206,653</u>	<u>\$ 69,003</u>	<u>\$695,233</u>	<u>\$ 655</u>

CITY OF NORTH LAS VEGAS, NEVADA
BALANCE SHEET - SPECIAL IMPROVEMENT DISTRICT FUNDS
DECEMBER 31, 1968

ASSETS AND OTHER DEBITS	TOTAL	FUND NO. 2	FUND NO. 3	FUND NO. 5	FUND NO. 12	FUND NO. 14	FUND NO. 16	FUND NO. 24	FUND NO. 26	FUND NO. 35
Cash and Investments	\$ 141,872	\$10,646	\$ 22,517	\$(1,190)	\$ 16,410	\$ 53,989	\$ 19,638	\$ (8,171)	\$ 27,378	\$655
Special Assessments Receivable	961,806	32,270	89,961	58,630	76,213	50,179	516,324	53,164	85,065	-
<u>Special Assessment Interest Receivable:</u>										
Current and Deferred	196,362	1,691	7,657	3,407	24,551	5,498	111,635	15,627	26,296	-
Delinquent	35,104	202	1,034	2,339	431	-	26,155	1,154	3,789	-
From Excess Interest (Note 2)	101,130	317	2,188	613	12,648	2,156	57,938	11,724	13,546	-
Water and Sewer Fees Receivable	100,051	-	-	-	-	52,790	-	47,261	-	-
Due from Other Funds	29,729	-	-	-	-	-	-	29,729	-	-
Total Assets and Other Debits	\$1,566,054	\$45,126	\$123,357	\$63,799	\$130,253	\$164,612	\$731,690	\$150,488	\$156,074	\$655
LIABILITIES										
Due to Other Funds	\$ 655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$655
Negotiable Warrants Payable - Held by City of North Las Vegas - Current	143,000	-	-	-	8,000	125,000	5,000	5,000	-	-
<u>Negotiable Warrants Payable - Held by Outside Sources:</u>										
Current	32,500	-	12,500	-	-	-	-	20,000	-	-
Deferred	177,500	-	87,500	-	-	-	-	90,000	-	-
<u>Bonds Payable:</u>										
Current	47,000	-	-	-	-	-	47,000	-	-	-
Deferred	729,500	33,000	-	51,000	84,500	-	470,000	-	91,000	-
<u>Interest Payable:</u>										
<u>Negotiable Warrants - Held by City of North Las Vegas:</u>										
Current	6,271	-	-	-	445	5,313	300	213	-	-
<u>Negotiable Warrants - Others:</u>										
Current	2,950	-	1,750	-	-	-	-	1,200	-	-
Deferred	22,325	-	6,125	-	-	-	-	16,200	-	-
<u>Bonds:</u>										
Current	20,422	-	-	-	-	-	20,422	-	-	-
Deferred	163,105	1,807	-	3,818	27,179	-	102,108	-	28,193	-
Total Liabilities	\$1,345,228	\$34,807	\$107,875	\$54,818	\$120,124	\$130,313	\$644,830	\$132,613	\$119,193	\$655
RESERVES AND FUND BALANCES										
Reserve for Refundable Excess Assessments	\$ 220,826	\$10,319	\$ 15,482	\$ 8,981	\$ 10,129	\$ 34,299	\$ 86,860	\$ 17,875	\$ 36,881	\$ -
Total Liabilities, Reserves and Fund Balances (Note 7)	\$1,566,054	\$45,126	\$123,357	\$63,799	\$130,253	\$164,612	\$731,690	\$150,488	\$156,074	\$655

CITY OF NORTH LAS VEGAS, NEVADA
BALANCE SHEET - SPECIAL IMPROVEMENT DISTRICT FUNDS
DECEMBER 31, 1968

<u>ASSETS AND OTHER DEBITS</u>	<u>TOTAL</u>	<u>FUND NO. 4</u>	<u>FUND NO. 7</u>	<u>FUND NO. 17</u>	<u>FUND NO. 18</u>	<u>FUND NO. 19</u>	<u>FUND NO. 29</u>	<u>FUND NO. 31</u>	<u>FUND NO. 33</u>
Cash and Investments	\$ 156,539	\$11,173	\$ 19,170	\$ 6,769	\$ 116	\$ 1,858	\$ 78,224	\$(80,621)	\$119,850
Special Assessments Receivable	845,706	74,196	204,715	28,759	-	-	455,666	-	82,370
<u>Special Assessment Interest Receivable:</u>									
Current and Deferred	405,588	6,313	49,354	9,788	-	-	176,543	127,347	36,243
Delinquent	22,504	615	13,701	264	-	-	7,924	-	-
From Excess Interest (Note 2)	109,981	1,804	31,255	8,191	-	-	58,847	-	9,884
Account Receivable - H. U. D.	11,803	-	-	-	-	-	11,803	-	-
Estimated Amount to be provided from Code Enforcement Project	40,000	-	-	-	-	-	40,000	-	-
Total Assets and Other Debits	<u>\$1,592,121</u>	<u>\$94,101</u>	<u>\$318,195</u>	<u>\$53,771</u>	<u>\$ 116</u>	<u>\$ 1,858</u>	<u>\$ 829,007</u>	<u>\$ 46,726</u>	<u>\$248,347</u>
 <u>LIABILITIES</u>									
Accounts Payable	\$ 799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81	\$ 718	\$ -
Contracts Payable	45,258	-	-	-	-	-	-	45,258	-
<u>Negotiable Warrants Payable - Held by</u>									
<u>City of North Las Vegas:</u>									
Current	469,000	-	40,000	12,000	7,000	2,000	235,000	8,000	165,000
<u>Negotiable Warrants Payable - Held by</u>									
<u>Outside Sources:</u>									
Current	98,000	11,000	-	-	-	87,000	-	-	-
Deferred	77,000	77,000	-	-	-	-	-	-	-
<u>Bonds Payable:</u>									
Current	24,000	-	19,000	-	-	-	-	-	5,000
Deferred	819,500	-	208,000	32,500	-	-	504,000	-	75,000
<u>Interest Payable:</u>									
<u>Negotiable Warrants - Held by</u>									
<u>City of North Las Vegas:</u>									
Current	23,031	-	2,400	580	298	120	9,988	445	9,200
<u>Negotiable Warrants - Other:</u>									
Current	6,760	1,540	-	-	-	5,220	-	-	-
Deferred	5,390	5,390	-	-	-	-	-	-	-
<u>Bonds:</u>									
Current	13,822	-	9,422	-	-	-	-	-	4,400
Deferred	309,141	-	48,979	10,637	-	-	217,350	-	32,175
Total Liabilities	<u>\$1,891,701</u>	<u>\$94,930</u>	<u>\$327,801</u>	<u>\$55,717</u>	<u>\$ 7,298</u>	<u>\$ 94,340</u>	<u>\$ 966,419</u>	<u>\$ 54,421</u>	<u>\$290,775</u>
 <u>RESERVES AND FUND BALANCES</u>									
Reserve for Anticipated Additional Construction Costs	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ -
To be provided for by General Fund Appropriations	(303,580)	(829)	(9,606)	(1,946)	(7,182)	(92,482)	(137,412)	(11,695)	(42,428)
Total Reserves and Fund Balances	<u>\$ (299,580)</u>	<u>\$ (829)</u>	<u>\$ (9,606)</u>	<u>\$ (1,946)</u>	<u>\$ (7,182)</u>	<u>\$ (92,482)</u>	<u>\$ (137,412)</u>	<u>\$ (7,695)</u>	<u>\$ (42,428)</u>
Total Liabilities, Reserves and Fund Balances (Note 8)	<u>\$1,592,121</u>	<u>\$94,101</u>	<u>\$318,195</u>	<u>\$53,771</u>	<u>\$ 116</u>	<u>\$ 1,858</u>	<u>\$ 829,007</u>	<u>\$ 46,726</u>	<u>\$248,347</u>

CITY OF NORTH LAS VEGAS, NEVADA
BALANCE SHEET - SPECIAL IMPROVEMENT DISTRICT FUNDS
DECEMBER 31, 1968

ASSETS AND OTHER DEBITS	TOTAL	FUND NO. 15	FUND NO. 20	FUND NO. 21	FUND NO. 22	FUND NO. 23	FUND NO. 27	FUND NO. 30	FUND NO. 32	FUND NO. 34	FUND NOS. 36 AND 37
Cash and Investments	\$ (56,351)	\$ 980	\$ 1,777	\$ 6,168	\$ 4,363	\$(10,028)	\$ (5,468)	\$ (54,104)	\$ 1,447	\$ 1,128	\$(2,614)
Special Assessments Receivable	2,346,908	-	-	20,477	25,795	-	-	2,300,636	-	-	-
Special Assessment Interest Receivable:											
Current and Deferred	6,942	-	-	6,942	-	-	-	-	-	-	-
Delinquent	505,703	-	-	138	-	-	-	505,565	-	-	-
From Excess Interest (Note 2)	2,936	-	-	2,936	-	-	-	-	-	-	-
Water and Sewer Fees Receivable	23,749	-	-	-	-	23,749	-	-	-	-	-
Other Receivables - Anticipated Assessment Roll	376,106	-	-	-	-	376,106	-	-	-	-	-
Total Assets and Other Debits	<u>\$3,205,993</u>	<u>\$ 980</u>	<u>\$ 1,777</u>	<u>\$36,661</u>	<u>\$30,158</u>	<u>\$389,827</u>	<u>\$ (5,468)</u>	<u>\$2,752,097</u>	<u>\$ 1,447</u>	<u>\$ 1,128</u>	<u>\$(2,614)</u>
LIABILITIES											
Accounts Payable	\$ 6,127	\$ -	\$ 4	\$ 34	\$ -	\$ -	\$ 62	\$ 6,027	\$ -	\$ -	\$ -
Negotiable Warrants Payable - Held by City of North Las Vegas:											
Current	249,000	1,000	25,000	2,000	-	210,000	6,000	-	5,000	-	-
Negotiable Warrants Payable - Held by Outside Sources:											
Current	71,000	2,000	20,000	-	30,000	10,000	6,000	-	-	3,000	-
Deferred	90,000	-	-	-	-	90,000	-	-	-	-	-
Bonds Payable - Deferred	2,463,738	-	-	26,000	-	-	-	2,437,738	-	-	-
Note Payable	100,000	-	-	-	-	100,000	-	-	-	-	-
Interest Payable:											
Negotiable Warrants - Held by City of North Las Vegas - Current	13,926	60	1,063	120	-	12,075	360	-	248	-	-
Negotiable Warrants - Other:											
Current	3,660	120	1,200	-	1,800	-	360	-	-	180	-
Deferred	16,200	-	-	-	-	16,200	-	-	-	-	-
Bonds:											
Current	-	-	-	-	-	-	-	-	-	-	-
Deferred	8,510	-	-	8,510	-	-	-	-	-	-	-
Note - Current	2,120	-	-	-	-	2,120	-	-	-	-	-
Total Liabilities	<u>\$3,024,281</u>	<u>\$ 3,180</u>	<u>\$47,267</u>	<u>\$36,664</u>	<u>\$31,800</u>	<u>\$440,395</u>	<u>\$ 12,782</u>	<u>\$2,443,765</u>	<u>\$ 5,248</u>	<u>\$ 3,180</u>	<u>\$ -</u>
RESERVES AND FUND BALANCES											
Reserve for Anticipated Additional Construction Costs	\$ 308,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,332	\$ -	\$ -	\$ -
Unfunded Construction-in-Progress	(126,620)	(2,200)	(45,490)	(3)	(1,642)	(50,568)	(18,250)	-	(3,801)	(2,052)	(2,614)
Total Reserves and Fund Balances	<u>\$ 181,712</u>	<u>\$(2,200)</u>	<u>\$45,490</u>	<u>\$ (3)</u>	<u>\$(1,642)</u>	<u>\$(50,568)</u>	<u>\$(18,250)</u>	<u>\$ 308,332</u>	<u>\$(3,801)</u>	<u>\$(2,052)</u>	<u>\$(2,614)</u>
Total Liabilities, Reserves and Fund Balances (Note 9)	<u>\$3,205,993</u>	<u>\$ 980</u>	<u>\$ 1,777</u>	<u>\$36,661</u>	<u>\$30,158</u>	<u>\$389,827</u> (Note 13)	<u>\$ (5,468)</u> (Note 11, 12)	<u>\$2,752,097</u>	<u>\$ 1,447</u>	<u>\$ 1,128</u>	<u>\$(2,614)</u>

CITY OF NORTH LAS VEGAS, NEVADA
BALANCE SHEET
FEDERAL FUNDED PROGRAMS
DECEMBER 31, 1968

		URBAN RENEWAL REVOLVING FUND	ROSE GARDEN P.E.A.	URBAN RENEWAL CARTIER AVE.	CODE ENFORCEMENT P.E.A.	CODE ENFORCEMENT ESCROW	HOUSING AUTHORITY	URBAN RENEWAL TEMPORARY LOAN CARTIER AVE.	HOUSING AUTHORITY DEPOSIT
<u>ASSETS AND OTHER DEBITS</u>		<u>TOTAL</u>							
Cash and Investments	\$ 990,481	\$ 14,318	\$ 346,720	\$ 372,313	\$ 47,281	\$ 22,754	\$ 128,175	\$ 36,777	\$ 22,143
Total Assets and Other Debits	<u>\$ 990,481</u>	<u>\$ 14,318</u>	<u>\$ 346,720</u>	<u>\$ 372,313</u>	<u>\$ 47,281</u>	<u>\$ 22,754</u>	<u>\$ 128,175</u>	<u>\$ 36,777</u>	<u>\$ 22,143</u>
<u>LIABILITIES</u>									
Due to General Fund	\$ 142	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ 77	\$ -	\$ -
Due to Utility Fund	78	47	-	-	-	-	31	-	-
Total Liabilities	<u>\$ 220</u>	<u>\$ 112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances	<u>\$ 990,261</u>	<u>\$ 14,206</u>	<u>\$ 346,720</u>	<u>\$ 372,313</u>	<u>\$ 47,281</u>	<u>\$ 22,754</u>	<u>\$ 128,067</u>	<u>\$ 36,777</u>	<u>\$ 22,143</u>
Total Liabilities and Fund Balances	<u>\$ 990,481</u>	<u>\$ 14,318</u>	<u>\$ 346,720</u>	<u>\$ 372,313</u>	<u>\$ 47,281</u>	<u>\$ 22,754</u>	<u>\$ 128,175</u>	<u>\$ 36,777</u>	<u>\$ 22,143</u>

CITY OF NORTH LAS VEGAS, NEVADA
SUMMARY STATEMENT OF INDEBTEDNESS
DECEMBER 31, 1968

	OUTSTANDING DECEMBER 31, 1968	DUE JANUARY 1, THROUGH JUNE 30, 1969	DUE FISCAL YEAR 1969-70
General Obligation Bonds and Notes	\$ 3,958,000	\$ 200,000	\$244,000
General Obligation Warrants:			
Held by Funds of the City of North Las Vegas	861,000	861,000	-
Held by Others	<u>549,000</u>	<u>204,500</u>	<u>67,000</u>
Total	<u>\$ 5,368,000</u>	<u>\$1,265,500</u>	<u>\$311,000</u>
General Obligation Bonds Additionally Secured by a Pledge of Revenues	<u>\$ 4,297,000</u>	<u>\$ -</u>	<u>\$188,000</u>
Sub-Total, General Obligation Indebtedness	\$ 9,665,000	\$1,265,500	\$499,000
Special Assessment Bonds not Secured by the full faith and Credit of the City of North Las Vegas	<u>4,083,738</u>	<u>71,000</u>	<u>158,500</u>
Total Local Debt, General and Special	<u>\$13,748,738</u>	<u>\$1,336,500</u>	<u>\$657,500</u>

CITY OF NORTH LAS VEGAS, NEVADA
STATEMENT OF INDEBTEDNESS
BONDS AND NOTES PAYABLE
DECEMBER 31, 1968

GENERAL OBLIGATION DEBT SERVICE FUND	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE		REDEEMED TO 12/31/68	OUTSTANDING 12/31/68	MATURITY	
BONDS PAYABLE:								
Sanitary Sewer	1952	\$ 260,000	3.0	Secured by Pledge of Revenues	\$200,000	\$ 60,000	\$ 15,000	Due Annually August 1, through 1972
Water Improvement	1955	300,000	3.75	Secured by Pledge of Revenues	113,000	187,000	11,000	Due Annually August 1, through 1985
Sanitary Sewer - Series A	1963	980,000	3.6312	Secured by Pledge of Revenues	105,000	875,000	35,000	Due Annually November 1, through 1993
Water Improvement - Series A	1963	1,680,000	3.6312	Secured by Pledge of Revenues	180,000	1,500,000	60,000	Due Annually November 1, through 1993
City Hall Building - Series A	1963	1,176,000	3.6312		126,000	1,050,000	42,000	Due Annually November 1, through 1993
Police Building - Series A	1963	202,000	3.7277		18,000	184,000	8,000	Due Annually November 1, through 1991
Fire Building - Series A	1963	164,000	3.7324		14,000	150,000	6,000	Due Annually November 1, through 1993
Streets and Utilities Building - Series A	1963	213,000	3.7316		21,000	192,000	8,000	Due Annually November 1, through 1992
Parks - Series A	1963	392,000	3.7349		42,000	350,000	14,000	Due Annually November 1, through 1993
Storm Sewer and Drainage - Series A	1963	140,000	3.7349		15,000	125,000	5,000	Due Annually November 1, through 1993
Sanitary Sewer - Series B	1963	1,346,000	3.8859	Secured by Pledge of Revenues	146,000	1,200,000	48,000	Due Annually November 1, through 1993
Water Improvement - Series B	1963	522,000	3.8857	Secured by Pledge of Revenues	47,000	475,000	19,000	Due Annually November 1, through 1993
City Hall Building - Series B	1963	862,000	3.8858		87,000	775,000	31,000	Due Annually November 1, through 1993
Fire Building - Series B	1963	246,000	3.8939		21,000	225,000	9,000	Due Annually November 1, through 1993
Library Building - Series B	1963	231,000	3.8953		24,000	207,000	9,000	Due Annually November 1, through 1991
Parks - Series B	1963	265,000	3.8975		40,000	225,000	9,000	Due Annually November 1, through 1993
Storm Sewer and Drainage - Series B	1963	84,000	3.897		9,000	<u>75,000</u>	3,000	Due Annually November 1, through 1993
Total General Obligation Bonds						<u>\$7,855,000</u>		
NOTES PAYABLE:								
Note Payable to Bank of Las Vegas, Dated 6/28/68	1968	300,000	4.87			\$ 300,000	100,000	Due Annually June 28, through 1971
Note Payable to First National Bank of Nevada, Dated 11/13/68, for the Benefit of S.I.A.D. No. 23	1968	100,000	4.24			<u>100,000</u>	100,000	Due May 13, 1969
Total Notes						<u>\$ 400,000</u>		
Total						<u>\$8,255,000</u>		

CITY OF NORTH LAS VEGAS, NEVADA
STATEMENT OF INDEBTEDNESS
BONDS PAYABLE
DECEMBER 31, 1968

S.I.A.D. NO.	SPECIAL IMPROVEMENT FUNDS	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	TOTAL AMOUNT REDEEMED	OUTSTANDING 12/31/68	MATURITY
(2)	Original City Lighting District	1960	\$ 165,000	3.65	\$132,000	\$ 33,000	\$ 16,500 Due Annually October 1, through 1970
(5)	William Addition District	1961	170,000	3.743	119,000	51,000	17,000 Due Annually December 15, through 1971
(7)	Vegas Boulder Addition & Williams II Addition District	1965	284,000	4.0696	570,000	227,000	19,000 Due Annually May 1, through 1980
(12)	College Park & Grandview Park District	1966	97,500	4.6221	13,000	84,500	6,500 Due Annually July 1, through 1981
(16)	Cibola Park District	1965	660,000	3.95	143,000	517,000	47,000 Due Annually April 1, through 1979
(17)	Federal Park & L. V. Blvd. District	1966	37,500	4.8694	5,000	32,500	2,500 Due Annually July 1, through 1981
(21)	Northland Park District	1966	30,000	4.8694	4,000	26,000	2,000 Due Annually July 1, through 1981
(26)	Las Vegas Boulevard North District	1966	105,000	4.6226	14,000	91,000	7,000 Due Annually December 1, through 1981
(29)	Bellview Tract and Desert View Manor & Replat District	1967	540,000	5.25	36,000	504,000	36,000 Due Annually September 1, through 1981
(30)	Nellis Industrial Park District	1966	2,437,738	6.75	-	2,437,738	187,738 Due on April 1, 1974 then \$150,000 Annually April 1, through 1989
(33)	McIntyre - Civic Center Dr. District	1968	80,000	5.5	-	80,000	5,000 Due Annually June 1, through 1978 then \$6,000 Annually through 1983
Total Special Improvement Bonds						<u>\$4,083,738</u>	

CITY OF NORTH LAS VEGAS, NEVADA
STATEMENT OF INDEBTEDNESS
NEGOTIABLE WARRANTS - HELD BY OUTSIDE SOURCES
DECEMBER 31, 1968

S.I.A.D. NO.	SPECIAL IMPROVEMENT FUNDS	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE		TOTAL AMOUNT REDEEMED	OUTSTANDING 12/31/68	MATURITY	
(3)	College Avenue Street Drainage District	1964	\$ 200,000	3.5		\$100,000	\$ 100,000	\$ 12,500	Due Semi-Annually September 1 and March 1 through 1972
(4)	College Avenue Street Paving District	1964	176,000	3.5		88,000	88,000	11,000	Due Semi-Annually September 1 and March 1 through 1972
(15)	Cibola Park District	1968	2,000	6.0		-	2,000	2,000	Due June 30, 1969
(19)	Carey Avenue From R. R. to Revere District	1968	87,000	6.0		-	87,000	87,000	Due June 30, 1969
(20)	East Vegas Tract - Belmont District	1968	20,000	6.0		-	20,000	20,000	Due June 30, 1969
(22)	Evans Avenue District	1968	30,000	6.0		-	30,000	30,000	Due June 30, 1969
(23)	Solar Subdivision No. 1 District	1967	100,000	4.0	See Footnote 13	10,000	90,000	10,000	Due Annually July 1, through 1976
(23)	Solar Subdivision No. 1 District	1968	10,000	6.0	See Footnote 13	-	10,000	10,000	Due June 30, 1969
(24)	Desert Aire Estates and Property Abutting Craig Road District	1967	100,000	4.0		10,000	90,000	10,000	Due Annually July 1, through 1976
(24)	Desert Aire Estates and Property Abutting Craig Road District	1968	20,000	6.0		-	20,000	20,000	Due June 30, 1969
(27)	Losee Road District	1968	6,000	6.0		-	6,000	6,000	Due June 30, 1969
(34)	Federal Park District	1968	3,000	6.0		-	3,000	3,000	Due June 30, 1969
	Subtotal						\$ 546,000		
	<u>GENERAL IMPROVEMENT PROJECT FUND</u>								
(35)	Cheyenne - Decatur Water Improvements	1968	3,000	6.0		-	3,000	3,000	Due June 30, 1969
	Total Negotiable Warrants - Held by Outside Sources						\$ 549,000		

CITY OF NORTH LAS VEGAS, NEVADA
STATEMENT OF INDEBTEDNESS
NEGOTIABLE WARRANTS - HELD BY CITY OF NORTH LAS VEGAS
DECEMBER 31, 1968

S.I.A.D. NO.	SPECIAL IMPROVEMENT FUNDS	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE		TOTAL AMOUNT REDEEMED	OUTSTANDING 12/31/68	MATURITY	
(7)	Vegas Boulder Addition #I and Williams II Addition District	1968	\$ 40,000	6.0		\$ -	\$ 40,000	\$ 40,000	Due June 30, 1969
(12)	College Park & Grandview Park District	1967	2,000	4.25		-	2,000	2,000	Due June 30, 1969
(12)	College Park & Grandview Park District	1968	6,000	6.0		-	6,000	6,000	Due June 30, 1969
(14)	Guardian Corp. (East Vegas Tract) District	1967	125,000	4.25		-	125,000	125,000	Due June 30, 1969
(15)	Cibola Park District	1968	1,000	6.0		-	1,000	1,000	Due June 30, 1969
(16)	Arrowhead Acres District	1968	5,000	6.0		-	5,000	5,000	Due June 30, 1969
(17)	Federal Park & Las Vegas Blvd. District	1967	8,000	4.25		-	8,000	8,000	Due June 30, 1969
(17)	Federal Park & Las Vegas Blvd. District	1968	4,000	6.0		-	4,000	4,000	Due June 30, 1969
(18)	Carlton Square District	1967	7,000	4.25		-	7,000	7,000	Due June 30, 1969
(19)	Carey Avenue From Railroad to Revere District	1968	2,000	6.0		-	2,000	2,000	Due June 30, 1969
(20)	East Vegas Tract - Belmont District	1967	25,000	4.25		-	25,000	25,000	Due June 30, 1969
(21)	Northland Park	1968	2,000	6.0		-	2,000	2,000	Due June 30, 1969
(23)	Solar Subdivision No. 1 District	1967	30,000	4.25	See Footnote 13	-	30,000	30,000	Due June 30, 1969
(23)	Solar Subdivision No. 1 District	1968	180,000	6.0	See Footnote 13	-	180,000	180,000	Due June 30, 1969
(24)	Desert Aire Estates and Property Abutting Craig Road District	1967	5,000	4.25		-	5,000	5,000	Due June 30, 1969
(27)	Losee Road District	1968	6,000	6.0		-	6,000	6,000	Due June 30, 1969
(29)	Bellview Tract and Desert View Manor & Replat District	1967	235,000	4.25		-	235,000	235,000	Due June 30, 1969

CITY OF NORTH LAS VEGAS, NEVADA
STATEMENT OF INDEBTEDNESS
NEGOTIABLE WARRANTS - HELD BY CITY OF NORTH LAS VEGAS
DECEMBER 31, 1968

S.I.A.D. NO.	SPECIAL IMPROVEMENT FUNDS	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	TOTAL AMOUNT REDEEMED	OUTSTANDING 12/31/68	MATURITY
(31)	Valley View District	1967	\$ 2,000	4.25	\$ -	\$ 2,000	\$ 2,000 Due June 30, 1969
(31)	Valley View District	1968	6,000	6.0	-	6,000	6,000 Due June 30, 1969
(32)	Clarendia Estates District	1967	3,000	4.25	-	3,000	3,000 Due June 30, 1969
(32)	Clarendia Estates District	1968	2,000	6.0	-	2,000	2,000 Due June 30, 1969
(33)	McIntyre - Civic Center Dr. District	1967	40,000	4.25	-	40,000	40,000 Due June 30, 1969
(33)	McIntyre - Civic Center Dr. District	1968	125,000	6.0	-	<u>125,000</u>	125,000 Due June 30, 1969
Total Special Improvement Negotiable Warrants - Held by City of North Las Vegas						<u>\$ 861,000</u>	

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CITY OF NORTH LAS VEGAS, NEVADA
SUMMARY OF TRUST FUND BALANCES
DECEMBER 31, 1968

	<u>CASH</u> <u>BALANCE</u>	<u>FUND</u> <u>BALANCE</u>
Water Deposits	\$ 63,149	\$101,366
Bail Deposits	4,791	4,791
Library Deposits, Gifts and Grants	(966)	(1,059)
Little League	(661)	(661)
Clean-up Deposits	550	425
Special Events Deposits	2,937	2,878
Teen Club Fees	373	373
Garbage Collections for Franchisee	21,576	-
Insurance Premium Deposits	3,618	49
Park and Recreation Capital Improvements	36,043	29,646
Regional Street and Highway Projects	53,085	74,759
Collections for Convention Authority	1,497	1,497
Park 10 Improvements	(13,210)	(22,983)
Cartier Utilities Relocation	(10,279)	(10,279)
Neighborhood Analyses	(185)	(185)
Other Deposits	<u>4,380</u>	<u>3,076</u>
 Totals (Exhibit A)	 <u>\$166,698</u>	 <u>\$183,693</u>

CITY OF NORTH LAS VEGAS, NEVADA
FOOTNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1968

1. Interest received on these promissory notes from July 1, 1965 to December 31, 1968 in an aggregate amount of \$129,394 has been credited to the General Fund. Statutory provisions do not appear to permit diversion of such interest from the fund owning a promissory note.

The terms of the notes require annual principal payments of \$137,840, together with interest at varying rates (currently 3.5%). Subsequent to balance sheet date, these notes were pledged by the City to secure the indebtedness of Assessment District 30 to the Public Employees Retirement Board in a present amount of \$2,437,738 (S.B. 148, 1969 Legislature).

2. The City, pursuant to the provisions of Section 81 of Chapter III of its Charter, may assess interest on special assessments at a rate in excess of that for which the district is obligated by its bonds (not to exceed 7%). Such interest differential as may reasonably be anticipated to be collected over the life of the assessments is separately stated as "excess interest". Calculation of such excess interest has been based upon the rates currently applied and anticipated by the City.

3. The 1963 Sanitary Sewer General Obligation Bond Proceeds Fund has made transfers to the operating funds for debt service in an aggregate amount of \$682,396. It is the declared intent of the City that \$524,354 of these advances shall be repayed by the utility funds from future revenues. However, evidences of indebtedness have not been issued at this writing. Further, Nevada Tax Commission Regulation 65-1 requires

CITY OF NORTH LAS VEGAS, NEVADA
FOOTNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1968

that all such interfund loans be repaid within the fiscal year in which they have been made. Therefore these interfund loans of \$524,354 are delinquent and appear to be in violation of the above cited regulation.

4. December 31, 1968 General Fund Surplus is appropriated for current operations in an aggregate amount of \$238,563, represented by:

1) Excess of unexpended 1968-69 appropriations over unrealized revenues of the current year	\$183,080
2) Projected deficiency in actual 1968-69 non-tax revenues in comparison with those originally estimated	86,106
3) Projected underexpenditure of current appropriations	<u>(30,623)</u>
Total	<u>\$238,563</u>

5. The General Fund is indebted to the Debt Service Fund in an amount of \$27,253, as described below:

Although the City has historically adopted budgets providing for ad valorem levies for both its General and Debt Service Funds, it has credited the proceeds of such taxes, as well as Utility Fund transfers for Debt Service, to the General Fund. Subsequently, the General Fund has transferred sufficient monies to the Debt Service Fund(s) to pay bond principal and interest as they have become due. In the current year, the General Fund has received \$27,253 more from these sources than has been transferred to Debt Service Funds.

CITY OF NORTH LAS VEGAS, NEVADA
FOOTNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1968

6. Of interim warrants issued by the City pursuant to Section 68 of Chapter III of its Charter, \$861,000 maturing June 30, 1969 are held by its General Obligation Bond Projects Construction Fund. It does not appear that City interim warrants are a lawful investment for the funds of the City.
7. These districts are substantially complete. A projection of their assessments and debt requirements discloses that there will remain a surplus after all debt requirements. Section 84 of Chapter III of the City Charter requires that such a surplus be refunded ratably to those by whom it was paid.
8. These districts are substantially complete and a projection of their assessment and debt requirements discloses that revenues available will be inadequate to fully service district debts as they mature. Such funding deficiencies are required to be met by the revenues of the General Fund (Charter Section 84, Chapter III). Future General Fund tax levies are thereby encumbered to the extent of these deferred liabilities.
9. Generally, these districts are as yet substantially incomplete, and eventual funding requirements are not determinable at this time. However, the current indebtedness of the several districts will not be able to be met without refinancing or general fund support. It has been the practice of the City to refinance similar obligations annually. (See also Notes 11 and 13).

CITY OF NORTH LAS VEGAS, NEVADA
FOOTNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1968

10. The records of this fund do not disclose the value of motor fuel, lubricants and parts inventories, nor were such inventories examined and valued at December 31, 1968. As a result, the fund balance is understated to the extent of the value of this inventory.

11. Assessments of this district are in default, and foreclosure proceedings have been initiated by the City.

The defendants have filed a counter action asserting that certain City charges to the district were excessive. The case has been set for hearing.

Recent M.A.I. appraisals of the district indicate that its present improved value is substantially in excess of the indebtedness of the district.

12. This obligation and its related interest are presented consistent with the refunding agreement executed pursuant to S.B. 148. No attempt has been made to restate this obligation at the value it would have had if refunding had actually taken place December 31, 1968.

Deferred interest receivable has not been accrued beyond December 31, 1968, since the assessments are in default and foreclosure proceedings have been instituted by the City.

13. The City is presently defendant in an action seeking to invalidate the assessments of this district. City Charter Section 85 (Chapter III) would permit a reassessment proceeding if the plaintiffs were successful in their action. In the meantime, the District will be unable to fund its current debt requirement without support from the General Fund.

CITY OF NORTH LAS VEGAS, NEVADA
FOOTNOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1968

14. The City's books of account are maintained on the cash basis of accounting. Data concerning sums due the City and obligations owed by it have generally been developed from sources external to the City's general accounting records.

Depreciation reserves and general fixed assets (other than certain utility fund assets) are not recorded in the books of account and have not been given effect in these statements.

15. The City is contingently liable, primarily to subdividers, in an amount approximating \$131,000, for reimbursement of the costs of extending utility lines to new areas. Contractually, these amounts are to be reimbursed out of future connection fees and/or other future revenues derived from those lines. Because of time limitations on certain of the refunding agreements, it is currently estimated that approximately \$30,000 of these liabilities will not materialize.